One of Albert O. Hirschman’s contributions to economic theory is a richer understanding of the concept of the “rational actor,” which, he demonstrated, possesses the deliberative capacities that democratic market societies require. This following is a profile of an economist who was also a dissident and an activist.

Albert Hirschman’s iconoclastic oeuvre is, in part, the result of his turbulent life. His academic career began relatively late [1]. From very early on, he had first-hand experience of the apparent ubiquity of violence in human interactions, and the tendency of even the most advanced societies to be sullied by relentless brutalization. Yet, rejecting fatalism, he chose to dwell on the inherent capacity of human groups for adaptation. Action, he believed, was always possible at some level and to some degree; arguments about the laws, course, and dictates of history, nature, or society invariably had to be qualified. Hirschman’s work is a far-reaching investigation into the principles, as well as the ruses, that could foster the emergence of a reasonable social, political, and economic order. In this way, the question of reform-oriented collective action is central to his thought. [2]. This explains why, beginning with his early work on Latin America, he could say that the “problem of development consists in generating and energizing human action in a certain direction” [3] or that his reflections late in life were devoted to “the micro-foundations of a democratic society” and the “constitution of the democratic … personality” [4].

Albert Hirschman was born in Berlin in 1915, in a family belonging to the middling bourgeoisie. In the early 1930s, he joined the Socialist Youth, an organization close to the Social Democratic Party. Following the rise of Nazism, he left Germany in April 1933, after a year of university in Berlin, which he devoted primarily to the study of political economy.

He continued his training in Paris for two years at the École des hautes études commerciales (School for Advanced Business Studies), but he was disappointed that his studies there did not focus enough on political economy. He received a scholarship to attend the London School of Economics, at a time when Friedrich von Hayek and Lionel Robbins were among its faculty. Yet his most important discovery was John Maynard Keynes’ General Theory of Employment,
Interest, and Money, when it was first published in February 1936. Though he was always wary of all-encompassing theoretical systems, Keynesianism proved influential on his work in general and on his writings on development in particular.

He undertook a study of France’s monetary reform of 1925 to 1926, ultimately expanding into a doctoral thesis, which, beginning in 1936, he wrote at the University of Trieste, where he had been named an assistant. That same year, he volunteered as a combatant in the International Brigades in Spain for several months, but quickly abandoned the movement when it came under Communist control. It was in Italy, alongside Eugenio Colorni, who had married his sister, Ursula Hirschman, that he joined the anti-Fascist struggle. Colorni’s influence proved decisive, as he also introduced Hirschman to his library. As a result, Hirschman discovered the work of Gustave Flaubert, and particularly Montaigne, who became one of his favorite authors. In 1938, when the anti-Jewish decrees were announced, he left Italy for France.

Hirschman volunteered for the French army in 1939, but, after the defeat, was forced to seek refuge in Marseilles. With Varian Fry, he helped to organize the Emergency Rescue Committee, which made it possible for some two thousand refugees to leave France, including, among others, Hannah Arendt, André Breton, Marc Chagall, and Marcel Duchamp. Located by the French authorities in December 1940, he escaped to Spain, before retreating to the United States in January 1941.

With the help of a grant from the Rockefeller Foundation, Hirschman established him at the University of California at Berkeley. There, between 1941 and 1942, he began work on his first book, National Power and the Structure of Foreign Trade, which was published in 1945. After enlisting in the U.S. army in 1943, he became a U.S. citizen and was sent first to North Africa, then to Italy. From 1946 to the 1950s, he worked for the Federal Reserve Board, particularly on the implementation of the Marshall Plan. His early work made him a specialist on problems related to reconstruction in Italy and France. In 1952, he resigned his position and took a job in Colombia, where he became a financial advisor to the National Planning Bureau before working as private consultant. The years he spent as an economic specialist, planner, and adviser on development issues were decisive for his training. Due to his initial research in development economics, he began to see the impracticalities of standard economic theory.

From 1956 to 1958, he held a position Yale University, which had noticed his early research and work in Colombia. There, he began writing The Strategy of Economic Development, published in 1958, a major contribution to thinking about economic development. To this book he added two others of a more applied nature: Journeys towards Progress: Studies of Economic Policy-Making in Latin America in 1963, followed by Development Projects Observed in 1967. He would later recall that, in his development trilogy, he wanted “to celebrate, to ‘sing’ the epic adventure of development—its challenge, drama, and grandeur” [5]. Many articles accompanied this trilogy,
which were collected in two anthologies: *A Bias for Hope: Essays on Development and Latin America* (1971), and *Essays in Trespassing: Economics to Politics and Beyond* (1981).

From 1958 to 1964, Columbia University provided him with his first genuinely academic position, teaching international economics. Paradoxically, he never particularly enjoyed teaching. Then, from 1964 to 1974, he continued his academic career at Harvard University, where the scope of his work began to broaden and he dedicated himself to writing *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States* [6], published in 1970—a book that he would revise several times in order to correct, deepen, and expand its conclusions. This book is probably his most influential one, since the major categories it introduces—exit and voice—can be applied to many different situations and contexts. Freedom from disciplinary boundaries is one of the signatures of Hirschman’s work and while it can be found in his writings on development, it is particularly evident in *Exit, Voice and Loyalty*.


### A Formative First Experience: The Problem of Development

Since *Exit, Voice and Loyalty*, Hirschman’s work has attracted the attention of political scientists, historians, and sociologists. Yet it is important to point out that, as he stated himself, Hirschman remained “primarily an economist” [7]. In this context, it is worth mentioning his contributions to the problem of development, which preceded *Exit, Voice and Loyalty*. In the immediate postwar years, Hirschman participated in the rise of one of the most dynamic and problematic fields in modern economics. His analyses in the field of development studies were formative for him, in addition to being decisive for his reputation and academic career. They typically consisted of “divergent opinions critiquing the new and old orthodoxy [and] led to lively debates, thus helping, with the contributions of other authors, to make the new field of development economics appealing and exciting in the 1950s and 60.” He added: “It is my impression that this is where my work has had its most positive effect, that it is in this area that its influence has been essential” [8].

The interest of Hirschman’s views on development is not only theoretical. They also allow us to compare his early work to his final writings and to identify possible continuities and ruptures between them. There are strong affinities between *Exit, Voice and Loyalty* and *The Strategy of
Economic Development. The Passions and the Interests is less a break than an extension of his reflections on development, in which he examines the relationship between economics and politics through the history of ideas, after having studied them on the ground in underdeveloped countries.

His work on development initiated Hirschman’s critical stance towards orthodox economics, which he believed was excessively theoretical and out of touch with reality, a position that he would subsequently continue to build on. Even in his first book, National Power and The Structure of Foreign Trade, he condemned the way that standard economic analysis overlooked the relationship between national power and international trade and favored a methodology free of disciplinary boundaries.

He criticized the determinism of a number of theoretical or doctrinal positions that sought to establish laws, regularities, and other constants, leaving no place for the possibility of change resulting from the inherent capacity of human communities to adapt. It is essential, he asserted, for social scientists to “widen the limits of what is or is perceived to be possible, be it at the cost of lowering our ability, real or imaginary, to discern the probable” [9].

This “possibilist” method gives one a better grasp on Hirschman’s endogenous conception of development, which pays close attention to the capacity for collective action of economic, political, and social stakeholders. Development must go beyond economic growth, incorporating changes in values and institutions. Consequently, initiating a development process requires a strategy that seeks the means to mobilize virtual resources. “[D]evelopment depends not so much,” Hirschman writes in The Strategy of Economic Development, “on finding optimal combination for given resources and factors of production as on calling forth and enlisting for development purposes resources and abilities that are hidden, scattered, or badly utilized” [10]. The latter include, among others, underemployment in the agricultural sector, untapped savings, and a reluctance to draw on local entrepreneurs.

The idea is to find “training devices”—in other words, multiplying mechanisms that, after an initial impulse, can trigger an unanticipated sequence of positive effects. Thus the problem of underdevelopment cannot be imputed to the lack of specific features or competencies, but simply to the inability to find the right combination of factors needed to initiate the development process: “Our diagnosis is simply that countries fail to take advantage of their development potential because, for reasons largely related to their image of change, they find it difficult to take the decisions needed for development in the required number and at the required speed” [11].

A weak capacity for investment is a recurring problem for underdeveloped countries. Unlike approaches based on models of balanced growth (like Roy Harrod and Evsey Domar), factors
such as savings and investment are, in underdeveloped countries, independent of one another. Consequently, they often find themselves in situations in which virtual savings are “frustrated” even when real investment opportunities exist. Consequently, the goal of any theory of development should be to account for such situations and to propose means that would be likely to increase the capacity to invest. In each particular situation, one should expect the development process to encounter serious obstacles (uncertainty, social costs, etc.). To surmount them, Hirschman counts on what he calls investment’s complementarity effect, which, it should be noted, is quite similar to the multiplier effect. Indeed, Hirschman insists on the fact that the complementary effect is “a multiplier-type relationship … [in which] each investment would lead to investments in the next period in an amount smaller than the original investment …” [12].

Hirschman’s critique of balanced models of development naturally led him to prefer development based on unbalanced growth, in which priority is given to a particular industry or sector, the success of which can trigger the economy’s development as a whole. Consequently, development policy must preserve imbalance and count on investment’s complementary effects, allowing “market forces” and “extra market forces” (i.e., political action and pressure) to trigger a virtuous development circle. In this way, Hirschman asserted his desire to transcend disciplinary boundaries, which he believed was the only way to present a faithful picture of the reality of economic development. Consequently, he saw economic development as a strategy, belonging to the register of politics and the possible, rather than a technocratic, planned, and imported project, characteristic of the expert’s probabilistic pretentions. Journeys toward Progress and Development Projects Observed, which are more applied and more attentive to the lessons to be drawn from the development process as it can be observed at the micro-social level, are further evidence of Hirschman’s “possiblist” credo.

The Quest for Democratic Society’s Micro-Foundations

Hirschman emphasized that his various work was always motivated by a single question: the quest for “the micro-foundations of a democratic society, ... the constitution of a democratic … personality” [13]. Beginning with Exit, Voice and Loyalty, his studies on organizations, institutions, and behavior, as well as his work in the history of ideas, led him to highlight a number of positive ways in which market economies contributed to the emergence and flourishing of the “democratic personality,” and to call particular attention to the existence, within democratic market societies, of the frequency of conflict.

Hirschman’s discipline-spanning thinking is organized around several conceptual markers. The categories of “exit” and “voice” (as introduced in Exit, Voice and Loyalty) represent two ways in which people react to an organization’s mistakes and possible decline. When consumers or users are unsatisfied or displeased with an organization’s products and/or services, they can either
“exit” by turning to competing organizations, thus bringing market mechanisms into play, or they can resort to political action, making their “voice” heard through grievances, demands, petitions, and the like in order to improve the product’s quality. Whereas Hirschman initially believed that a zero-sum relationship existed between these two forms of individual action (one’s increase leads to the other’s decrease), he later revised this assessment in light of the events that unfolded in the former Democratic Republic of Germany in the summer of 1989, when exiting and speaking mutually reinforce one another and proved very effective, ultimately bringing about the “collapse of the regime” [14].

Exit, Voice and Loyalty perfectly illustrates Hirschman’s refusal to let himself be confined by narrow disciplinary boundaries, while not hesitating to borrow from the economist’s or political scientist’s toolkit. Moreover, the way in which he modified the theoretical categories that he investigated testifies to the “propensity to self-subversion” that he addressed in the essay collection of the same name.

The archaeology of the connection between passions and interests discussed in The Passions and the Interests, a book that marked Hirschman’s turn to the history of ideas, demonstrated that prior to Adam Smith, economics and politics shared a common foundation in a broad conception of rationality and interest. Before The Wealth of Nations (1776), Hirschman observes, the concept of interest was primarily used by political thinkers who were responding to the endemic conflicts that, in the seventeenth and eighteenth centuries, pitted Europe’s warlike societies against one another. With his famous “doux commerce” argument, Montesquieu, among others, maintained that self-interested action could neutralize the disastrous consequences of human passions. In addition to political mechanisms like the division of powers and the development of checks and balances, Hirschman observes that the passion for wealth was seen as an economic instrument for reigning in aristocratic force. The concept of interest thus “emerged … in politics, quite some time before it became a matter of doctrine in economics” [15]. His work as an historian of ideas allowed Hirschman to substantially revise a number of theories of capitalism’s development. Increasing economic activity in the seventeenth and eighteenth century was not, as Max Weber suggested in The Protestant Ethic and the Spirit of Capitalism, the work of a Protestant minority, but rather of a majority that came to embrace a way of thinking forged “right in the center of the ‘power structure’ and the ‘establishment’ of the time, out of the problems with which the prince and particularly his advisers and other concerned notables were grappling” [16].

Shifting Involvements: Private Interest and Public Action, which is a companion volume to The Passions and the Interests, offers a more complex account of the “rational actor” of economic theory by examining the principles governing how individuals choose between private action and public participation. Hirschman shows that in their economic activities, individuals have “self-correcting capacities” resulting from their moral values, which can lead them to modify their
preferences between the private and public spheres and thus promote the development of democratic market society. Once again, the point here is to explore the complexity of human nature and to show how the rational actor presupposed by classical economics represents an oversimplified view of reality. Indeed, human nature has moral dimensions that the conventional economist overlooks, which make it possible to grasp major collective mobilizations that occur in democratic market societies. In this book, Hirschman proposes in particular a “cyclical theory of collective behavior” between the private and public realms. If the transition from the public to the private realm is well documented, the same is not true, he observes, of the opposite process. During the 1960s, however, there were massive collective movements and it is important to understand what shaped them. It is in this instance that Hirschman speaks of the “self-correcting capacities” that make it possible, in his view, to explain the cyclical development of collective movements characteristic of developed societies.

The Rhetoric of Reaction expands upon the ideas that Hirschman first considered in National Power and the Structure of Foreign Trade and in his contributions to the study of development and the role of ideas in change by mapping out the “rhetorics of intransigence” formulated in the nineteenth and twentieth centuries, including reactionary as well as more progressive discourses. The initial point of this book is indeed, as Hirschman notes, to criticize reactionary thinking and discourse: “The repulsion I felt towards the neoconservative offensive certainly explains the tone of the book’s first five chapters. They were written in a combative spirit that I had not experienced in quite a long time. The tone of these chapters make the book seem like an anti-conservative or, perhaps, anti-neoconservative manifesto” [17]. Yet he ended up concluding that the abuse of rhetoric and hostility towards any kind of dialogue or compromise was not solely the preserve of reactionaries, but could also be found among progressives and reformers. Ultimately, he denounced the lack of openness of some discourses and ways of thinking that are incompatible with the kind of discussion and deliberation upon which democratic market society depends.

Hirschman identified three arguments advanced by reactionary rhetoric to block the gradual progress of civic, political, and economic citizenship:

- The “perverse effects,” argument, which stipulates: “any action seeking to directly improve any aspect of the political, social, or economic order will only aggravate the situation one hopes to correct”;

- The inanity argument, which holds: “any attempt to transform the social order is vain”;

- Finally, the danger argument which, due to the high price of reform, concludes that it will “threaten precious advantages or previously acquired rights” [18].
In the book’s last two chapters, Hirschman adopts a less radical perspective, showing that intransigence is not specific to reactionary rhetoric, but can also be found in progressivism. Each of the three preceding arguments found in reactionary rhetoric thus has its progressive counterpart:

- Perverse effects are denied and the reformer excludes “even the possibility that human action can have undesired consequences” [19]. Rather, it is the abandonment of reform that could lead to disastrous effects.

- Progressives respond to the inanity argument’s implicit assumption of an immoveable social order by emphasizing the “need to move forwards, to evolve, and to progress” [20]. To oppose the changes resulting from reform leads to utter sterility.

- Finally, responding to the reactionary argument about threats to the social order resulting from reform, the progressive asserts that “the new reform and previous reforms” will automatically harmonize” [21].

At least two remarkable traits of Hirschman’s work deserve further mention: first, his ideas about conflict, which first appeared in National Power and the Structure of Foreign Trade, and, second, his very personal and original critical attitude, the “propensity for self-subversion” mentioned earlier.

The importance Hirschman attaches to conflict cannot, of course, be separated from his own biography: the fact that he witnessed the rise of totalitarianism in the thirties and political violence in Latin America, where he worked through the fifties and sixties. Conflict is central to his first book, National Power and the Structure of Foreign Trade, which examines the relationship between national strength and international trade. In this work, he calls attention to the role of economic conflict, noting how little it has tended to interest economists. He further developed these ideas in his analysis of inflation in Chile (in Journeys toward Progress). In a subsequent text, he laid the foundations of a sociopolitical theory of inflation, in which he posits that conflict is one of the stakes of inflation. “[W]ith inflation,” he explains, “each group is able to engage in conflictive behavior and to demonstrate its power and its antagonism to other groups” [22]. Within certain boundaries, inflation, from this perspective, mitigates antagonism and makes it possible to accept the rule of the economic and social game and ensure mutual respect between parties that are at odds with one another. It thus triggers a continuous process of arbitration and negotiation between social groups, the outcome of which is the extension of democratic control over the economy.

In an essay entitled “Social Conflicts as Pillars of Democratic Market Societies” [23], Hirschman provides important clarifications of his conception of conflict. There are two types of conflict:
“those that leave behind a positive residue of integration and those that tear society apart.” Democratic market society is precisely characterized by the fact that it gives rise to a regular conflict regime which determines how social products are distributed between social groups, sectors, and regions, thus requiring a constant effort of adjustment and compromise. While one must not deny the possibility of potentially disastrous antagonistic conflicts, which are often religious or racial in character, Hirschman brings to light a different kind of conflict, which is constantly being generated by the dynamic instabilities of market economies and which can be the implicit source of very fruitful political qualities. Thus he maintains: “Highly varied though they are, they tend to be divisible; they are conflicts over getting more or less, in contrast to conflicts of the either-or, nondivisible category that are characteristic of societies split along rival ethnic, linguistic, or religious lines” [24]. The kind of conflict that is characteristic of democratic market societies is thus divisible, and, as such, can provide an education in the plurality of interests, compromise, conciliation, and, ultimately, reform.

Self-subversion refers to Hirschman’s critical attitude towards the deterministic views embraced by some social scientists, particularly economists. It is central to the analysis he proposes in Exit, Voice and Loyalty, which examines the individual’s self-correcting abilities, particularly those of scientists, as it is precisely in science that a number of democratic competencies must be able to flourish. Open-mindedness, receptiveness to criticism, and a willingness to reconsider one’s positions are the qualities one expects in a social scientist. More specifically, advances in research and multi-disciplinarity (particularly between economics and political science) invariably require a scholar to be capable of criticizing her own theoretical categories. Democratic market society, Hirschman usefully notes, implies deliberation. Consequently, it is “essential … that opinions not be fully formed in advance of the process of deliberation” [25]. This is why the democratic process requires a personality type that knows, thanks to its capacity for self-correction, how to free itself from “opinionated opinions.”

The notion of self-subversion, which is explored in the book that bears its name, is based on the principle of self-correction: it seeks to “demonstrate that a tendency or line of causation [that a scholar considers] … needs to be substantially reconsidered and qualified by attention to the opposite line, in the light of subsequent events or findings” [26]. Hirschman’s propensity to self-subversion was always primarily determined by moral values: “Once that idea had crossed my mind, it became a duty to go ahead—not to do so would have been the equivalent of self-censorship and concealment” [27]. This penchant for self-subversion can thus “make a contribution to a more democratic culture in which citizens not only have the right to their individual opinions and convictions but, more important, are ready to question them in the light of new arguments and evidence” [28].

From the critical standpoint of self-subversion, Hirschman seeks to challenge the methodological choice, which is widely shared among economists, which emphasizes the rationality of means at
the expense of the rationality of ends. He was also a strong advocate of reconsidering the ability of individuals to choose goals independently of instincts or conditioning. These questions about the goals and the conditions required to ensure the stability of a democratic market society is central to *Exit, Voice and Loyalty*. The concept of self-subversion is, from this perspective, nothing more than a transposition into the scientific realm of the individual’s capacity for self-correction that is necessary to preserving a democratic political system.

From his early studies of economic development to his exploration of the history of economic and social ideas, Hirschman’s work has always been resolutely directed at action, experimentation, and the need for investigation. Thus he writes: “My goal is not to predict trends. Rather, I apply myself to discovering what could happen and to draw the attention of readers in that direction…; more than anything, I am interested in the constellation of facts and situations that are necessary for good things to be possible. In this sense, I am indeed an activist” [29]. His *oeuvre*, motivated by democratic action, obeys no deterministic laws, but seeks to open the door to “possibilities,” confident in the inherent ability of individuals and social groups to reach collective compromises in a democratic framework.

**Conclusion**

Hirschman’s tendency to free himself from disciplinary boundaries undoubtedly makes it possible to associate his work with a number of heterodox economic theories, notably institutionalism. But even in this respect, his approach is unique. His purpose is not so much to oppose orthodoxy as to keep an open dialogue with it, however deep his criticisms may be. He thus acknowledges that he always “sought the means … to stay in contact with the partisans of ‘orthodoxy,’ [I] always tried to persuade people on the opposite side that there were other possible options, using reasoning that was familiar to them” [30]. A lack of discussion and the radicalization of positions were contrary to the spirit of political economy as he saw it, which examined the “micro-foundations of democratic society.” Once again, the point was to find points of a possible compromise between parties with contradictory arguments—a compromise that represented the only way of adapting scientific discourse and reasoning to social reality. From this perspective, transcending the boundaries between economics and political science should not serve to disqualify disciplinary discourse, particularly economics, but, on the contrary, should serve as a means of reabsorbing antagonisms and promoting collaboration across disciplines.

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Notes


[12] Ibid., 43.


[19] Ibid., p. 254.


[24] Ibid., 244.


[26] Ibid., p. 90.

[27] Ibid., p. 59.

[28] Ibid., p. 91.

[29] In Hirschman, *La Morale secrète de l’économiste*, 98.

[30] Ibid., p. 130.