

A Special Difficulty in Combining Exit and Voice

The groundwork has now been laid for telling the reader about the empirical observation that was mentioned in the Preface as the origin of this essay. In a recent book, I tried to explain why the Nigerian railways had performed so poorly in the face of competition from trucks, even for such long-haul, bulky cargo as peanuts (which are grown in Northern Nigeria, some eight hundred miles from the ports of Lagos and Port d'Harcourt). Specific economic, socio-political, and organizational reasons could be found for the exceptional ability of the trucks to get the better of the railroads in the Nigerian environment; but having done so I still had to account for the prolonged incapacity of the railroad administration to correct some of its more glaring inefficiencies, *in spite of active competition*, and proposed the following explanation:

The presence of a ready alternative to rail transport makes it less, rather than more, likely that the weaknesses of the railways will be fought rather than indulged. With truck and bus transportation available, a deterioration in rail service is not nearly so serious a matter as if the railways held a monopoly for long-distance transport—it can be lived with for a long time without arousing strong public pressures for the basic and politically difficult or even explosive reforms in administration and management that would be required. This may be the reason public enterprise, not only in Nigeria but in many other countries, has strangely been at its weakest in sectors such as transportation and education where it is subjected to competition: instead of stimulating improved or top performance, the presence of a ready and satisfactory substitute for the services public enterprise offers merely deprives it of a precious feedback mechanism that operates at its best when the customers are securely locked in. For the management

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of public enterprise, always fairly confident that it will not be let down by the national treasury, may be less sensitive to the loss of revenue due to the switch of customers to a competing mode than to the protests of an aroused public that has a vital stake in the service, has no alternative, and will therefore "raise hell."¹

In Nigeria, then, I had encountered a situation where the combination of exit and voice was particularly noxious for any recovery: 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 as long as the most aroused and therefore the potentially most vocal customers were the first ones to abandon the railroads for the trucks. It is particularly this last phenomenon that must be looked at more closely, for if it has any generality, then the chances that voice will ever act in conjunction with exit would be poor and voice would be an effective recuperation mechanism only in conditions of full monopoly "when the customers are securely locked in."

As a preliminary to generalizing about this sort of situation, another example, closer to home, may be helpful. If public and private schools somewhere in the United States are substituted in the story for the railroads and lorries of Nigeria, a rather similar result follows. Suppose at some point, for whatever reason, the public schools deteriorate. Thereupon, increasing numbers of quality-education-conscious parents will send their children to private schools.² This "exit" may occasion some impulse toward an improvement of the public schools; but here again this im-

1. *Development Projects Observed* (Washington: Brookings Institution, 1967), pp. 146-147.

2. Private schools being costly and income distribution unequal, the public schools will of course be deserted primarily by the wealthier parents. Nevertheless, the willingness to make a financial sacrifice for the sake of improving the children's education differs widely within a given income class, especially at intermediate levels of income. In its pure form, the phenomenon here described is best visualized for a school district with many middle-class parents for whom