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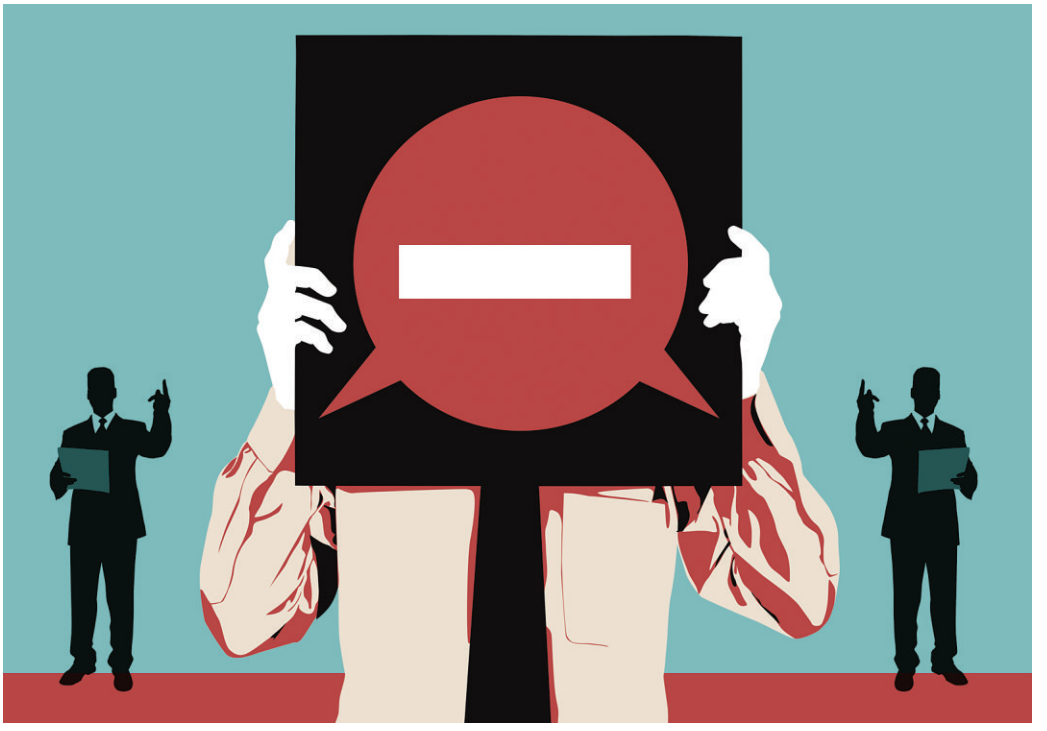

Rights, stakes and Newspeak

The sloppy language of words like 'stakeholder' is a mask for sloppy thinking, says **Deepak Lal**

In the early 1960s when I was reading philosophy-politics-economics at Oxford, linguistic philosophy was all the rage. Whatever its philosophical limitations, it did provide a training in thinking precisely about the meaning of words and taught how sloppy language was an avenue (and mask) for sloppy thinking. There are two terms that have become ubiquitous in public discourse, and not only in India, which I want to discuss in this context.

The first is "stakeholder". This, as Polonius would have said, "is an ill phrase, a vile phrase; 'stakeholder' is a vile phrase". It gained currency on the Left, particularly in the Newspeak of New Labour in the UK, after the collapse in 1991 of the countries of "really existing socialism". It was designed to provide a new justification for dirigisme — particularly for redistributive measures.

It is based on the view that much of the existing stock of wealth is the result of social co-operation going back to Adam and Eve. It is in that sense a social inheritance belonging to the whole of society. But, largely for efficiency reasons, with the failure of "really existing socialism" – where the state had nationalised all property – it will be expedient to allow some private appropriation of social wealth. Hence, some social wealth can be allowed to be converted into private property, on the terms and conditions specified by the co-owner — society, whose constituents are all "stakeholders" of this social wealth. Since the capital any private capitalist employs has, thus, only been leased to him for reasons of efficiency from society's capital owned by the state on its behalf, every "stakeholder" must be consulted and if necessary assuaged in its deployment.

Moreover, one of the conditions specified by the co-owner of this private wealth – society – is that there should be no "social exclusion" from this social wealth of those who have been disadvantaged because of lack of talent or of luck from partaking of the benefits produced by social co-operation. Hence, as the co-owner of this social wealth, the state should use its coercive powers to force the fortunate to give up part of their property or income to the disadvantaged "stakeholders".

This whole "stakeholder" edifice is, however, built on the myth that it is impossible to trace the individual contributions to past and present social co-operation which has generated this social wealth. Everyone who contributed by work was paid for those contributions in voluntary exchanges. Some of these payments were consumed, some saved and some were invested, with the resulting assets having the contributor's title to them. Thus, there is no overhanging claim in favour of society and its "stakeholders", as everything has been paid for in a way to call forth the necessary contributions.

Similarly, even though social co-operation is required to obtain the mutual gains in a business, everyone is not a "stakeholder". A corporation consists of a series of voluntary exchanges based on a contract in which the worker has an obligation to perform certain specified tasks in exchange for the agreed remuneration. The obligation to consult may be given by the employer to workers as part of the contract, thereby giving them a specific right matching the voluntarily agreed obligation. But there can be no general right to consult "stakeholders", unless one believes that the sharing of the fruits of co-operation cannot be assigned by voluntary contract, and hence there has to be continual negotiation or mediation by the co-owner of society's capital – the state. However, this claim, as we have seen, is false. The employer has justly acquired his capital from his and others' past savings, and he can do with them what he pleases. Nothing that belongs to society and its "stakeholders" has been leased out to the employer.

This loose talk of "rights" has also been extended to denote any public entitlement one wants to advocate or legislate. As I had argued in an earlier column ("Rights talk", September 2004), rights require someone else to have agreed to fulfill some obligations. They arise from contracts – actual or implicit – which give rise to obligations, which cannot be limited or withdrawn without the right-holder giving his consent. These rights are sometimes called specific rights and most legal systems recognise them.

By contrast, the various "social rights" being touted and legislated in India, like the presumed right to education, employment, insurance, food and health, are not rights but entitlements created by the state. They are not based on contract and can be changed or repudiated. The current Greek sovereign debt crisis provides a vivid illustration of the distinction. The "welfare rights"-entitlements of the Greeks have been curtailed under pressure from the European Union, and this is not justiciable. But the government could not repudiate the contracts it had made with its private sovereign debt-holders, and thence their rights to payments without a debt default – with its associated legal penalties – being called. Instead, it has had to negotiate with its private bondholders to voluntarily reduce its financial obligations to the sovereign debt they hold.

Similarly, when the burgeoning entitlement economy being created by the United Progressive Alliance government leads to a likely fiscal crisis, the so-called "rights" it is creating will have to be repudiated. Even the Supreme Court will not be able to uphold these purported social "rights" by equating them with the general rights – like those to free speech, free worship, walk about, breathe – without causing national bankruptcy.

My conclusion can be brief. Public discourse is not helped by loose talk about "rights". As for "stakeholders", the only stake I would wish to hold would be one to be thrust into the heart of that Frankenstein of a word: "stakeholder"!