

This is what we paid for

The Blair protege and outrider for India's ruinous free market experiment has been voted out

Tony Blair has lost the election. It's true he wasn't standing, but we won't split hairs. His policies have just been put to the test by an electorate blessed with a viable opposition, and crushed. In throwing him out of their lives, the voters of the Indian state of Andhra Pradesh may have destroyed the world's most dangerous economic experiment.

Chandrababu Naidu, the state's chief minister, was the west's favourite Indian. Tony Blair and Bill Clinton both visited him in Hyderabad, the state capital. Time magazine named him south Asian of the year; the governor of Illinois created a Naidu day in his honour; and the British government and the World Bank flooded his state with money. They loved him because he did what he was told.

Naidu realised that to sustain power he must surrender it. He knew that as long as he gave the global powers what they wanted, he would get the money and stature that count for so much in Indian politics. So instead of devising his own programme, he handed the job to the US consultancy McKinsey.

McKinsey's scheme, Vision 2020, is one of those documents whose summary says one thing and whose contents quite another. It begins, for example, by insisting that education and healthcare must be made available to everyone. Only later do you discover that the state's hospitals and universities are to be privatised and funded by "user charges". It extols small businesses but, way beyond the point at which most people stop reading, reveals that it intends to "eliminate" the laws that defend them, and replace small investors, who "lack motivation", with "large corporations". It claims

it will “generate employment” in the countryside, and goes on to insist that more than 20 million people should be thrown off the land.

Put all these – and the other proposals for privatisation, deregulation and the shrinking of the state – together, and you see that McKinsey has unwittingly developed a blueprint for mass starvation. You dispossess 20 million farmers just as the state is reducing the number of its employees and foreign corporations are “rationalising” the rest of the workforce, and you end up with millions without work or state support. “The state’s people,” McKinsey warns, “will need to be enlightened about the benefits of change.”

McKinsey’s vision was not confined to Naidu’s government. Once he had implemented these policies, Andhra Pradesh “should seize opportunities to lead other states in such reform, becoming, in the process, the benchmark state”. Foreign donors would pay for the experiment, then seek to persuade other parts of the developing world to follow Naidu’s example.

There is something familiar about all this, and McKinsey has been kind enough to jog our memories. Vision 2020 contains 11 glowing references to Chile’s experiment in the 1980s. General Pinochet handed the economic management of his country to a group of neoliberal economists known as the Chicago Boys. They privatised social provision, tore up laws protecting workers and the environment, and left the economy to multinational companies. The result was a bonanza for big business, and a staggering growth in debt, unemployment, homelessness and malnutrition. The plan was funded by the US in the hope that it could be rolled out around the world.

Pinochet’s economic understudy was bankrolled by Britain. In July 2001 Clare Short, then secretary of state for international development, finally admitted to parliament that, despite numerous official denials, Britain was funding Vision 2020. Blair’s government has financed the state’s economic reform programme, its privatisation of the power sector and its “centre for good governance” (which means as little governance as possible). Our taxes also fund the “implementation secretariat” for its privatisation programme. The secretariat is run, at Britain’s insistence, by the Adam Smith Institute, a far-right business lobby group. The money for all this comes out of Britain’s foreign aid budget.

It is not hard to see why Blair’s government is doing this. As Stephen Byers revealed when secretary of state for trade and industry, “the UK government has designated India as one of the UK’s 15 campaign markets”. The campaign is to expand opportunities for British capital. The people of Andhra Pradesh know what this means: they call it “the return of the East India Company”.

This isn’t the only aspect of British history being repeated in Andhra Pradesh.

There's something uncanny about the way in which the scandals that surrounded Blair during his first term in office are recurring there. Bernie Ecclestone, the formula one boss who gave Labour £1m and whose sport later received an exemption from the ban on tobacco advertising, was negotiating with Naidu to bring his sport to Hyderabad. I have been shown the leaked minutes of a state cabinet meeting on January 10. McKinsey, they reveal, instructed the cabinet that Hyderabad should be a "world-class futuristic city with formula one as a core component". To make it viable, however, there would be a "state support requirement of Rs400-600 crs" (4bn-6bn rupees). This means a state subsidy for formula one of £50m-£75m a year. It is worth noting that in Andhra Pradesh thousands now die of malnutrition-related diseases because Naidu had previously cut the food subsidy.

Then the minutes become even more interesting. Ecclestone's formula one, they noted, should be exempted from the Indian ban on tobacco advertising. Naidu had already "addressed the PM as well as the health minister in this regard", and was hoping to enact "legislation creating an exemption to the act".

The Hinduja brothers, the businessmen facing criminal charges in India who were given British passports after Peter Mandelson intervened on their behalf, have also been sniffing round Vision 2020. Another set of leaked minutes shows that in 1999 their representatives held a secret meeting in London with the Indian attorney general and the British export credit guarantee department, to help them get the backing required to build a power station under Naidu's privatisation programme. When the attorney general began lobbying the Indian government on their behalf, this caused another Hinduja scandal.

The results of the programme we have been funding are plain to see. During the hungry season, hundreds of thousands of people in Andhra Pradesh are now kept alive on gruel supplied by charities. Last year, hundreds of children died in an encephalitis outbreak because of the shortage of state-run hospitals. The state government's own figures suggest that 77% of the population have fallen below the poverty line. The measurement criteria are not consistent, but this appears to be a massive rise. In 1993 there was one bus a week taking migrant workers from a depot in Andhra Pradesh to Mumbai. Today there are 34. The dispossessed must reduce themselves to the transplanted coolies of Blair's new empire.

Luckily, democracy still functions in India. In 1999, Naidu's party won 29 seats, leaving Congress with five. Last week those results were precisely reversed. We can't yet vote Blair out of office in Britain, but in Andhra Pradesh they have done the job on our behalf. #