

Chapter 3rd: The Making of Global World

The Pre-modern World



Fig. 1 – Image of a ship on a memorial stone, Goa Museum, tenth century CE. From the ninth century, images of ships appear regularly in memorial stones found in the western coast, indicating the significance of oceanic trade.

1. Concept of Globalisation:

- Globalisation is often associated with an economic system that has developed in the last 50 years. However, the chapter emphasizes that the making of the global world has a much longer history.

2. Historical Phases of Globalisation:

- The emergence of the global world involves a historical process comprising trade, migration, labour movements, capital flow, and more.
- Understanding the historical phases is crucial for comprehending contemporary interconnectedness.

3. Diverse Aspects of Global Interconnectedness:

- Globalisation involves various dimensions such as trade, migration, work-seeking journeys, capital movement, and more.
- The interconnectedness of societies is a multifaceted phenomenon with roots in ancient times.

4. Historical Movement of People:

- Throughout history, individuals like travellers, traders, priests, and pilgrims covered vast distances for various purposes.
- This movement facilitated the exchange of goods, money, values, skills, ideas, inventions, and even diseases.

5. Early Instances of Global Trade:

- As early as 3000 BCE, an active coastal trade connected the Indus Valley civilizations with West Asia.
- Cowries, used as a form of currency, travelled from the Maldives to China and East Africa for more than a millennia.

6. Long-Distance Disease Spread:

- The spread of disease-carrying germs across long distances dates back to at least the seventh century.
- By the thirteenth century, this phenomenon had become a recognizable and significant aspect of global connectivity.

Silk Routes Link the World



Fig. 2 – Silk route trade as depicted in a Chinese cave painting, eighth century, Cave 217, Mogao Grottoes, Gansu, China.

1. Silk Routes as Pre-Modern Trade Network:

- The silk routes exemplify a dynamic pre-modern trade and cultural network connecting distant regions.
- West-bound Chinese silk cargoes were particularly significant along these routes.

2. Variety of Silk Routes:

- Historians have identified multiple silk routes, encompassing both overland and maritime routes.
- These routes interconnected vast regions of Asia and linked Asia with Europe and northern Africa.

3. Longevity of Silk Routes:

- Silk routes have a long history, existing since before the Christian Era and thriving until the fifteenth century.

- They facilitated the exchange of goods and ideas across diverse cultures and civilizations.

4. Diverse Goods Traded:

- While Chinese silk was a major commodity, other goods like Chinese pottery, textiles, and spices from India and Southeast Asia were also traded.
- Precious metals, specifically gold and silver, flowed from Europe to Asia in return.

5. Trade-Culture Nexus:

- Trade and cultural exchange were inseparable along the Silk Routes.
- Early Christian missionaries and Muslim preachers are believed to have traversed these routes, showcasing the intersection of religious propagation and trade.

6. Role of Silk Routes in Buddhism Spread:

- Buddhism, originating in eastern India, spread to various directions through intersecting points on the silk routes.
- The silk routes played a crucial role in the dissemination of religious and cultural influences.

Food Travels: Spaghetti and Potato



Fig. 3 – Merchants from Venice and the Orient exchanging goods, from Marco Polo, Book of Marvels, fifteenth century.

1. Long-Distance Cultural Exchange Through Food:

- Food serves as a compelling example of cultural exchange over long distances.
- Traders and travellers played a crucial role in introducing new crops to the regions they traversed.

2. Spaghetti and Noodles as Cultural Artifacts:

- Spaghetti and noodles exemplify how food items might share common origins but evolve differently in different parts of the world.
- The journey of noodles from China to becoming spaghetti in the West or the possible role of Arab traders in taking pasta to Sicily demonstrates the complex history of food exchange.

3. Uncertainty in Food Origins:

- The true origins of certain foods like spaghetti/noodles remain uncertain due to the complexities of historical interactions.

- Similar foods were known in diverse regions such as India and Japan, highlighting the challenges in determining precise food origins.

4. Introduction of New Foods to Europe and Asia:

- Common foods like potatoes, soya, groundnuts, maize, tomatoes, chillies, and sweet potatoes were unknown to ancestors until around five centuries ago.
- Christopher Columbus's accidental discovery of the Americas played a pivotal role in introducing these foods to Europe and Asia.

5. Impact of New Crops on Lives:

- The introduction of new crops, like the humble potato, had transformative effects on societies.
- The potato significantly improved the diet and life expectancy in Europe, particularly benefitting the poor.

6. Potato Famine in Ireland:

- The potato became a staple for Ireland's poorest peasants, and the crop's destruction in the mid-1840s led to a devastating famine.
- Hundreds of thousands died of starvation, underlining the critical role of certain food crops in sustaining populations.

Conquest, Disease and Trade

1. Impact of European Exploration in the Sixteenth Century:

- European sailors' discovery of sea routes to Asia and America significantly reduced the pre-modern world's size.
- The Indian Ocean played a crucial role in global trade with diverse goods, people, knowledge, and customs.

2. Transformation due to America's Integration:

- America, previously isolated for millions of years, became interconnected globally in the sixteenth century.
- Vast lands, abundant crops, and minerals in America transformed global trade and societies.

3. Role of Precious Metals in Financing Trade:

- Silver, particularly from mines in Peru and Mexico, enhanced Europe's wealth and financed trade with Asia.
- Seventeenth-century legends in Europe fueled expeditions in search of South America's fabled wealth, including El Dorado.

4. Impact of European Conquest in America:

- Portuguese and Spanish conquest and colonization of America began decisively in the mid-sixteenth century.
- Conquest was not solely due to superior firepower but also the introduction of germs like smallpox that America's inhabitants lacked immunity against.

5. Devastating Role of Smallpox:

- Smallpox, introduced by Europeans, proved a deadly killer, spreading ahead of European invaders and decimating whole communities.
- Unlike guns, diseases like smallpox were not easily counteracted, as conquerors were mostly immune.

6. Migration Trends to America:

- Until the nineteenth century, Europe faced common challenges of poverty, hunger, crowded cities, and religious conflicts.

- Thousands fled Europe for America, and by the eighteenth century, plantations with African slaves grew cotton and sugar for European markets.

7. Shift in World Trade Dynamics:

- Until the fifteenth century, China and India were among the world's richest countries and dominated Asian trade.
- From the fifteenth century, China retreated into isolation, reducing its role, while the Americas' rising importance shifted the centre of world trade westwards, with Europe emerging as the new centre.

The Nineteenth Century (1815 to 1914)

1. Profound Changes in the Nineteenth Century:

- The nineteenth century witnessed profound changes driven by economic, political, social, cultural, and technological factors.
- Societies underwent significant transformations, and external relations were reshaped during this period.

2. Three Key Flows in International Economic Exchanges:

- Economists identify three major flows within international economic exchanges during the nineteenth century.
- These flows are trade (in goods such as cloth or wheat), labour migration, and the movement of capital for short-term or long-term investments over long distances.

3. Interconnected Nature of Flows:

- Trade, labour migration, and capital movement were closely interwoven during the nineteenth century.
- These interconnected flows had a deep impact on people's lives, influencing societies globally.

4. Trade as the First Flow:

- The first flow, trade, predominantly involved the exchange of goods, such as textiles or agricultural products.
- This form of economic exchange played a crucial role in shaping the global economy of the nineteenth century.

5. Migration of Labor as the Second Flow:

- The second flow consisted of the migration of people in search of employment opportunities.
- Labour migration, though interconnected with trade and capital movement, often faced more restrictions.

6. Capital Movement as the Third Flow:

- The third flow focused on the movement of capital, involving both short-term and long-term investments across considerable distances.
- Capital movement played a significant role in shaping economic landscapes globally.

7. Complex Interplay of Flows:

- The three flows interacted in complex ways, influencing societies on a profound level.

- Understanding the interconnected nature of these flows is essential for a comprehensive grasp of the nineteenth-century world economy.

8. Importance of Examining Flows Together:

- Analyzing trade, labour migration, and capital movement together provides a comprehensive understanding of the dynamics of the nineteenth-century world economy.
- While each flow had its unique characteristics, their combined influence shaped the global economic landscape of the time.

A World Economy Takes Shape



Fig. 7 – Irish emigrants waiting to board the ship, by Michael Fitzgerald, 1874.

1. Changing Pattern of Food Production and Consumption in Industrial Europe:

- Industrial Europe experienced a shift in food production and consumption patterns during the nineteenth century.
- Traditional self-sufficiency in food was challenged in Britain due to increased demand, population growth, and industrialization.

2. Abolition of the Corn Laws:

- The Corn Laws, restricting the import of corn, led to higher food grain prices in Britain.
- Industrialists and urban dwellers pressured the government to abolish the Corn Laws, enabling cheaper food imports.

3. Impact on British Agriculture and Employment:

- Abolishing the Corn Laws resulted in cheaper imported food, making British agriculture less competitive.
- Vast uncultivated lands and unemployment emerged as a consequence, with people migrating to cities or overseas.

4. Global Impacts of Changing Food Production:

- The abolition of the Corn Laws had global repercussions, affecting food production worldwide.
- Lands in Eastern Europe, Russia, America, and Australia expanded to meet the rising British demand for food.

5. Infrastructure Development for Agricultural Expansion:

- Railways, harbours, and settlements were crucial for linking agricultural regions to ports and facilitating food transportation.

- Capital from financial centres like London played a pivotal role in developing the required infrastructure.

6. Migration Patterns in Response to Labor Demand:

- High demand for labour, particularly in America and Australia, led to significant migration from Europe.
- Approximately 50 million people emigrated from Europe to America and Australia during the nineteenth century.

7. Formation of a Global Agricultural Economy:

- By 1890, a global agricultural economy emerged with intricate changes in labour movement, capital flows, ecologies, and technology.
- Food was no longer locally sourced, but transported from thousands of miles away, shaping a global economic landscape.

8. Impact on Punjab and the Canal Colonies:

- The British Indian government transformed semi-desert lands in west Punjab into fertile agricultural areas using irrigation canals.
- Canal Colonies attracted peasants from other parts of Punjab, showcasing the local impacts of global agricultural changes.

9. Dramatic Changes in Commodity Production:

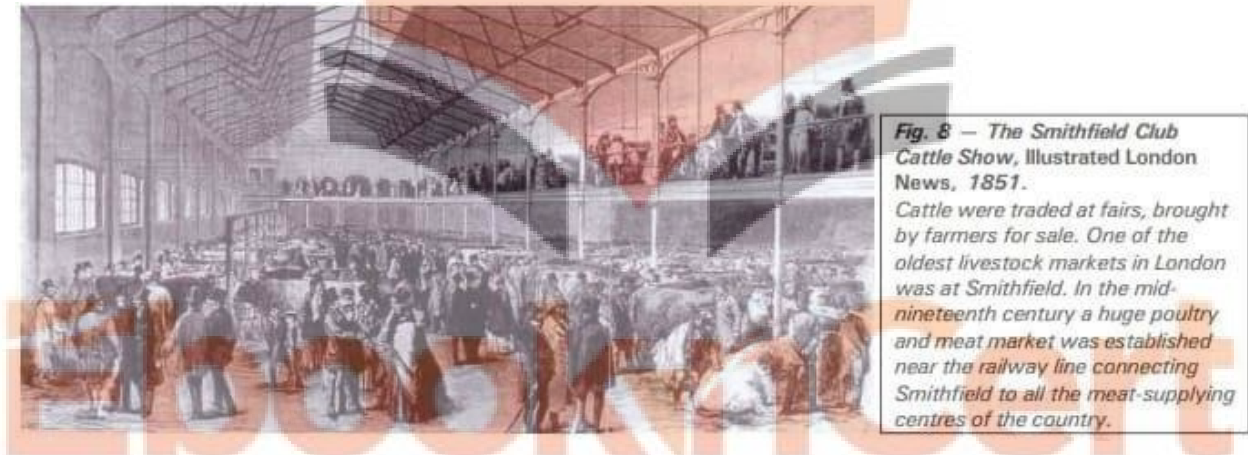
- Similar changes occurred in producing commodities like cotton and rubber, driven by regional specialization.
- Between 1820 and 1914, world trade multiplied 25 to 40 times, with nearly 60% comprising primary products like wheat, cotton, and minerals.

10. Expansion of World Trade and Economic Specialization:

- World trade expanded rapidly, reflecting the global economic changes in the nineteenth century.
- The specialization in commodity production contributed significantly to the economic landscape.

By understanding these exam-oriented pointers, students can grasp the interconnected factors that shaped the changing food production patterns, global economy, and migration trends during the nineteenth century.

Role of Technology



1. Role of Technology in the Nineteenth Century:

- The railways, steamships, and the telegraph played pivotal roles in transforming the nineteenth-century world.
- Technological advancements were integral, shaping the global landscape and facilitating economic changes.

2. Interconnected Nature of Technological Advances:

- Railways, steamships, and the telegraph were interconnected inventions that significantly impacted global developments.

- These technologies were not isolated; they influenced and complemented each other in the transformed world.

3. Technology as a Product of Larger Factors:

- Technological progress was often a result of broader social, political, and economic factors.
- Colonization, for instance, stimulated investments leading to improvements in transport infrastructure.

4. Impact of Colonization on Technological Advances:

- Colonization stimulated new investments and advancements in transportation technology.
- Faster railways, lighter wagons, and larger ships were developed to facilitate the cost-effective movement of goods.

5. Connected Process in the Trade of Meat:

- The trade-in meat exemplifies the interconnected nature of technological and economic processes.
- Live animals were initially shipped from America to Europe, leading to inefficiencies and high costs.

6. Evolution in Meat Trade Technology:

- Till the 1870s, live animals were transported to Europe, causing various challenges and making meat expensive.
- The development of refrigerated ships revolutionized the meat trade by allowing the transport of frozen meat from the source.

7. Impact on Shipping Costs and Meat Prices:

- Refrigerated ships reduced shipping costs and facilitated the transportation of perishable foods over long distances.
- This technological advancement significantly lowered meat prices in Europe, making it more accessible to the European poor.

8. Diversification of the European Diet:

- Refrigerated ships allowed animals to be slaughtered at the source and transported as frozen meat to Europe.
- This led to a more varied diet for the European population, reducing the earlier monotony of bread and potatoes.

9. Societal Impact:

- Better living conditions resulting from improved diets promoted social peace within countries.
- The availability of affordable meat, butter, and eggs contributed to enhanced living standards and contentment.

10. Support for Imperialism:

- Improved living conditions within countries, partly due to technological advancements, contributed to support for imperialism abroad.
- Enhanced diets and social stability created a favourable environment for imperialistic endeavours.

Understanding the role of technology in the nineteenth century, especially in areas like transportation and food trade, is crucial for comprehending the broader socio-economic changes during this period.

Late nineteenth-century Colonialism



1. Late 19th Century Trade and Markets:

- Trade flourished, and markets expanded in the late nineteenth century, marking a period of increased prosperity globally.

2. Dark Side of Expansion:

- Despite prosperity, there was a darker side to the process of expanding trade and markets during this period.
- It is crucial to understand the negative consequences that accompanied the economic growth.

3. Loss of Freedoms and Livelihoods:

- In many regions, the expansion of trade and closer integration into the world economy resulted in the loss of freedoms and livelihoods.
- The consequences of this process were often painful for local populations.

4. European Conquests in the Late 19th Century:

- European conquests during the late 19th century brought about significant economic, social, and ecological changes in colonized societies.
- The impact of these conquests extended beyond economic realms, affecting various aspects of daily life.

5. Drawing Borders in Africa:

- European powers, during the Berlin Conference of 1885, drew borders in Africa, often in straight lines without regard for local realities.

This arbitrary demarcation had lasting consequences for the continent and its people.

6. Expansion of Territories:

- Britain and France made substantial additions to their overseas territories during the late 19th century.
- Belgium and Germany emerged as new colonial powers, and the United States joined the ranks of colonial powers by acquiring territories formerly held by Spain.

7. Colonial Impact on Africa:

- The carving up of Africa by European powers had profound consequences on the economic, social, and ecological aspects of the continent.
- The impacts of colonialism were not limited to economic changes but extended to broader aspects of societies.

8. Destructive Impact of Colonialism:

- Colonialism had a destructive impact on the economy and livelihoods of colonized people.
- It disrupted existing systems and imposed new structures that often led to adverse consequences for the local populations.

9. Example of Economic Disruption:

- The study of colonialism's impact can be illustrated with specific examples, such as the destructive economic consequences faced by colonized communities.

10. Global Changes and Local Consequences:

- While there were global changes, it is essential to recognize that these changes had local consequences that varied in intensity and nature.

Understanding the complexities and consequences of late 19th-century global expansion, especially the impact of colonialism, is crucial for a comprehensive grasp of this historical period.

Rinderpest, or the Cattle Plague



Fig. 12 – Transport to the Transvaal gold mines, The Graphic, 1887.

Crossing the Wilge river was the quickest method of transport to the gold fields of Transvaal. After the discovery of gold in Witwatersrand, Europeans rushed to the region despite their fear of disease and death, and the difficulties of the journey. By the 1890s, South Africa contributed over 20 per cent of the world gold production.

1. African Impact of Rinderpest in the 1890s:

- In the 1890s, Africa faced a significant challenge with the fast-spreading cattle plague known as rinderpest.
- This disease had a terrifying impact on people's livelihoods and the local economy, showcasing the far-reaching consequences of European imperialism on colonized societies.

2. Conquest Era and Reshaping Lives:

- The example of rinderpest illustrates how, during the era of conquest, even a disease affecting cattle had the power to reshape the lives and fortunes of thousands of people in Africa.

3. Historical African Livelihoods:

- Historically, Africa had abundant land and a relatively small population, sustaining livelihoods primarily through land and livestock.

- Wages were uncommon, and people rarely worked for a wage as they possessed land and livestock.

4. European Attraction to Africa:

- Europeans were drawn to Africa in the late nineteenth century due to its vast resources, including land and minerals.
- Their intention was to establish plantations and mines for the production of crops and minerals to be exported to Europe.

5. Unexpected Labour Shortage:

- Despite the rich resources, there was an unexpected challenge – a shortage of labour willing to work for wages.
- Employers used various methods to recruit and retain labour, including heavy taxes, changes in inheritance laws, and restricting movement.

6. Impact of Rinderpest on Livelihoods:

- Rinderpest, arriving in Africa in the late 1880s, had a devastating impact, killing 90% of the cattle along its westward spread.
- The loss of cattle disrupted African livelihoods, leading to unforeseen consequences for the local population.

7. Monopolization of Resources:

- Planters, mine owners, and colonial governments capitalized on the scarcity of cattle resources after rinderpest.
- This led to the successful monopolization of resources, strengthening the power of European colonizers and forcing Africans into the labor market.

8. Cattle Resources and European Control:

- Control over scarce cattle resources became a tool for European colonizers to conquer and subdue Africa.
- The impact of rinderpest showcased the intricate link between environmental factors, economic changes, and imperial control.

9. Wider Consequences of Western Conquest:

- The rinderpest story in Africa is emblematic of wider consequences experienced by different regions during the Western conquest of the nineteenth century.
- Similar impacts on local economies, livelihoods, and power structures occurred in other parts of the world.

Understanding the intricate relationship between disease, economic shifts, and imperial control in the context of rinderpest is essential for a comprehensive grasp of the consequences of European imperialism in Africa.

Indentured Labour Migration from India

1. Indentured Labour Migration Overview:

- In the nineteenth century, indentured labour migration from India was marked by a two-sided nature – economic growth and technological advances coexisted with great misery, poverty, and new forms of coercion.

2. Indian Indentured Workers:

- Hundreds of thousands of Indian and Chinese labourers migrated for work in plantations, mines, and construction projects globally during this period.

- Indian indentured workers primarily came from regions like eastern Uttar Pradesh, Bihar, central India, and dry districts of Tamil Nadu.

3. Social Changes and Migration Causes:

- Changes in the mid-nineteenth century, including declining cottage industries, rising land rents, and land clearance for mines and plantations, pushed the poor into deep indebtedness, forcing migration in search of work.

4. Main Destinations of Indian Migrants:

- Indian indentured migrants were sent to Caribbean islands (Trinidad, Guyana, Surinam), Mauritius, Fiji, Ceylon, Malaya, and Assam for tea plantations.

5. Recruitment Challenges:

- Recruitment involved agents who were paid commissions, often providing false information about destinations, travel, work nature, and living conditions.
- Some migrants were forcibly abducted, and many hoped to escape poverty or oppression in their home villages.

6. Indenture Described as ‘New System of Slavery’:

- The indenture system in the nineteenth century has been likened to a ‘new system of slavery’ due to harsh living and working conditions and limited legal rights for workers.

7. Challenges and Survival Strategies:

- Workers found conditions on plantations to be different from what they expected, facing harsh living and working conditions.
- Despite challenges, workers developed survival strategies, including escape into the wilds, with severe punishments if caught.

8. Cultural Adaptations and Expressions:

- Workers developed new forms of individual and collective self-expression, blending different cultural forms, old and new.
- Examples include the transformation of the Muharram procession into the 'Hosay' carnival in Trinidad and the emergence of Rastafarianism reflecting links with Indian migrants.

9. Post-Indenture Impact:

- Most indentured workers stayed on or returned to their new homes after the contract period, leading to the establishment of significant communities of Indian descent in various countries.
- Notable figures like V.S. Naipaul and West Indies cricketers Shivnarine Chanderpaul and Ramnaresh Sarwan are descendants of Indian indentured labour migrants.

10. Nationalist Opposition and Abolition:

- From the 1900s, Indian nationalist leaders opposed the indentured labour migration system, considering it abusive and cruel.
- The system was eventually abolished in 1921, but its effects persisted for decades, creating an uneasy minority in the Caribbean islands.

Understanding the complexities of indentured labour migration, including its socio-economic causes, cultural adaptations, and the lasting impact on diaspora communities, is crucial for a comprehensive grasp of the global dynamics during the nineteenth century.

Indian Entrepreneurs Abroad



Fig. 17 – East India Company House, London.
This was the nerve centre of the worldwide operations of the East India Company.



Fig. 19 – The trade routes that linked India to the world at the end of the seventeenth century.

1. Capital Requirements for Export Agriculture:

- The growth of export agriculture for the world market demanded significant capital.
- Large plantations could secure capital from banks and markets, but the situation was different for peasants.

2. Role of Indian Bankers:

- Indian bankers played a crucial role in providing financial support for export agriculture.
- Examples include the Shikaripuri shroffs and Nattukottai Chettiars, who were among the various groups financing agriculture in Central and Southeast Asia.

3. Financing Mechanisms:

- Bankers and traders used their funds or borrowed from European banks to finance export agriculture.
- They developed sophisticated systems for transferring money over large distances.

4. Indigenous Forms of Corporate Organization:

- Indian bankers and traders involved in financing export agriculture developed indigenous forms of corporate organization.
- This showcased their adaptability and innovation in response to the demands of the global market.

5. Indian Traders in Africa:

- Indian traders and moneylenders followed European colonisers into Africa, contributing to the expansion of economic activities on the continent.

6. Hyderabad Sindhi Traders Worldwide:

- Hyderabad Sindhi traders went beyond European colonies and, from the 1860s, established successful emporia at busy ports globally.
- They engaged in selling local and imported curios to the growing number of tourists, facilitated by the development of safe and comfortable passenger vessels.

Understanding the role of Indian bankers, traders, and moneylenders in financing and facilitating global economic activities is essential for a comprehensive grasp of the interconnectedness of different regions and communities during this period.

Indian Trade, Colonialism and the Global System

1. Historical Export of Indian Cotton:

- Historically, India was a major exporter of fine cottons to Europe.
- However, with the onset of industrialization in Britain, the government imposed tariffs on cloth imports, leading to a decline in the export of Indian cotton to Britain.

2. British Cotton Manufacture and Tariff Barriers:

- British industrialists pressured the government to protect local industries, resulting in the imposition of tariffs on cloth imports into Britain.
- This move aimed to boost the expansion of British cotton manufacture.

3. Changing Trends in Indian Textile Exports:

- The decline in Indian textile exports to Britain led to British manufacturers seeking overseas markets for their cloth.
- The figures show a steady decline in the share of cotton textiles in Indian exports, dropping from 30% around 1800 to below 3% by the 1870s.

4. Shift to Raw Material Exports:

- As manufactured exports declined, the export of raw materials from India increased significantly.
- Between 1812 and 1871, the share of raw cotton exports rose from 5% to 35%, reflecting a shift in India's export pattern.

5. Opium Trade and India's Role:

- Opium shipments to China, financed by Britain, became India's single largest export, highlighting the economic significance of opium trade.
- The revenue earned from opium sales was used to finance British imports from China, such as tea.

6. British Manufactures in the Indian Market:

- Over the 19th century, British manufactures flooded the Indian market, impacting local industries.
- The increased inflow of British goods led to a trade surplus for Britain with India.

7. India's Role in the Late-Nineteenth-Century World Economy:

- India played a crucial role in the late-nineteenth-century world economy by helping Britain balance its trade deficits with other countries.
- The trade surplus with India allowed Britain to settle deficits with other nations through a multilateral settlement system.

8. Significance of India's Trade Surplus:

- Britain's trade surplus in India was vital for paying 'home charges,' including private remittances, interest payments on India's external debt, and pensions of British officials in India.

Understanding the changing dynamics of India's trade, from textile exports to raw materials and the opium trade, provides insights into the economic transformations during this period.

The Inter-war Economy

1. Focus on the First World War:

- The First World War occurred from 1914 to 1918 and was primarily fought in Europe.
- Its impact, however, extended globally, shaping the course of the first half of the twentieth century.

2. Global Ramifications of the War:

- Despite being centred in Europe, the consequences of the war reverberated worldwide.
- The global fallout resulted in extensive economic and political instability.

3. Crisis in the Early Twentieth Century:

- The aftermath of the First World War led to a crisis that persisted for more than three decades.
- This crisis profoundly influenced the trajectory of world events during the first half of the twentieth century.

4. Widespread Economic Instability:

- Post-World War I, there was a widespread economic upheaval on a global scale.
- Nations faced economic challenges, contributing to the overall instability.

5. Political Instability:

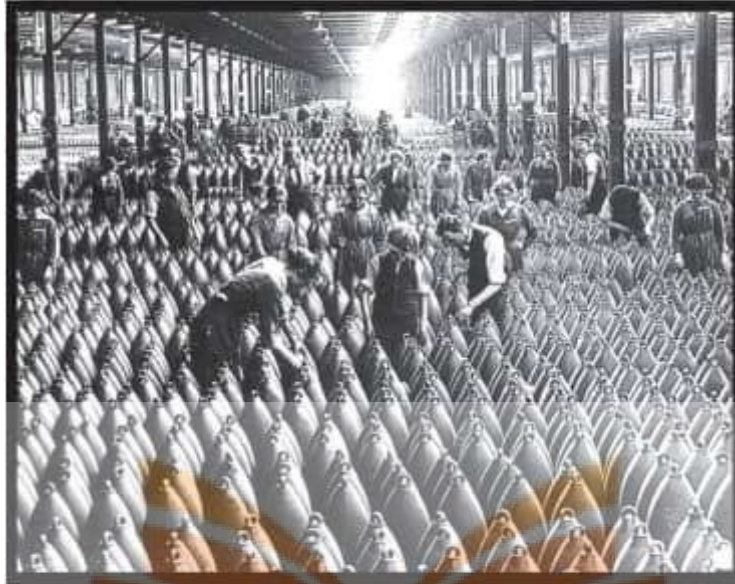
- The aftermath of the war also triggered significant political instability worldwide.
- Changes in political landscapes and power dynamics were notable consequences.

6. Lead-up to Another Catastrophic War:

- The instability and unresolved issues from the First World War set the stage for another catastrophic conflict.
- The developments of this period laid the groundwork for the outbreak of the Second World War.

Understanding the impact of the First World War on a global scale, including economic and political repercussions, is crucial for comprehending the subsequent historical developments.

Wartime Transformations



*Fig. 20 – Workers in a munition factory during the First World War.
Production of armaments increased rapidly to meet war demands.*

1. Formation of Power Blocs:

- The First World War involved two major power blocs: Allies (Britain, France, Russia, and later the US) and Central Powers (Germany, Austria-Hungary, Ottoman Turkey).
- Initially, many believed the war would be short-lived, but it extended for over four years.

2. Nature of the First World War:

- It was the first modern industrial war, featuring the world's leading industrial nations.
- Modern industrial capabilities were harnessed, leading to unprecedented destruction.

3. Technological Advancements in Warfare:

- The war introduced modern technologies on a massive scale, including machine guns, tanks, aircraft, and chemical weapons.

- These technological advancements were products of large-scale industrial production.

4. Enormous Human Cost:

- The scale of death and destruction was unprecedented, with 9 million dead and 20 million injured.
- Most casualties were men of working age, impacting the able-bodied workforce in Europe.

5. Impact on Workforce and Household Incomes:

- Deaths and injuries during the war reduced the able-bodied workforce in Europe.
- With fewer workers, household incomes declined after the war.

6. Societal Changes during the War:

- Industries were restructured to focus on war-related production during the conflict.
- Societal roles underwent a transformation, with women taking on jobs traditionally held by men.

7. Economic Change and Borrowing:

- Economic links between major powers were severed during the war. To finance the war effort, Britain borrowed substantial sums from US banks and the public.

8. US Transformation into International Creditor:

- The war transformed the US from an international debtor to an international creditor.

- By the war's end, the US and its citizens owned more overseas assets than foreign entities owned in the US.

Understanding the geopolitical dynamics, technological advancements, and the socio-economic impact of the First World War is crucial for a comprehensive grasp of this historical period.

Post-war Recovery

1. Post-War Economic Recovery Challenges:

- Britain, once the world's leading economy, faced difficulties in recovering post-war.
- Industries in India and Japan had developed during the war, impacting Britain's dominance.

2. British Economic Challenges:

- Britain struggled to regain its pre-war dominance in the Indian market and faced international competition, especially from Japan.
- Huge external debts burdened Britain due to extensive borrowing from the US during the war.

3. Post-War Economic Boom and Bust:

- The war led to an economic boom characterized by increased demand, production, and employment.
- After the war, production contracted, and unemployment rose, leading to economic downturns.

4. Government Measures to Curb Expenditure:

- In response to economic challenges, the government reduced war expenditures to align with peacetime revenues.
- This reduction in government spending contributed to job losses and economic instability.

5. Widespread Unemployment:

- Job losses were significant, with one in every five British workers unemployed in 1921.
- Anxiety and uncertainty about employment became a persistent feature of the post-war period.

6. Agricultural Economies in Crisis:

- Agricultural economies, including wheat producers, faced crises post-war.
- Eastern Europe, a major wheat supplier, disrupted during the war, saw a revival post-war, leading to a glut in wheat output.

7. Impact on Grain Prices and Rural Incomes:

- Wheat production expansion in Canada, America, and Australia during the war contributed to a surplus.
- This surplus led to a fall in grain prices, declining rural incomes, and increased farmer indebtedness.

Understanding the challenges faced by Britain, the economic repercussions of the post-war period, and the impact on agricultural economies is essential for exam preparation.

Rise of Mass Production and Consumption

1. US Economic Recovery:

- Post-World War I, the US experienced a quicker economic recovery due to war-related boosts to its economy.
- After a brief post-war economic trouble period, the US economy resumed strong growth in the early 1920s.

2. Mass Production in the 1920s:

- Mass production became a characteristic feature of the US economy in the 1920s.
- Henry Ford's assembly line at his car plant in Detroit exemplified the efficiency of mass production.

3. Henry Ford and the Assembly Line:

- Henry Ford pioneered mass production, adapting the assembly line method to car manufacturing.
- The assembly line increased output by mechanizing and speeding up tasks, exemplified by the three-minute interval for T-Model Ford cars.

4. Impact on Workers:

- Initially, workers struggled with the stress of assembly line work, leading to high turnover.
- Ford responded by doubling daily wages in 1914 but prohibited trade unions in his plants.

5. Fordist Industrial Practices:

- Fordist practices, emphasizing mass production and cost-cutting, spread in the US and were adopted in Europe in the 1920s.

- Lowered costs and prices made durable consumer goods like cars more affordable for workers.

6. Consumer Boom and Hire Purchase:

- Mass production led to a spurt in consumer goods' purchase through 'hire purchase' systems.
- Increased wages allowed workers to buy items like refrigerators, washing machines, radios, and gramophone players.

7. Boom in Housing and Home Ownership:

- The housing and consumer boom created a cycle of higher employment, rising consumption, and more investment in the US.
- Large investments in housing and household goods fueled prosperity.

8. US as a Global Economic Force:

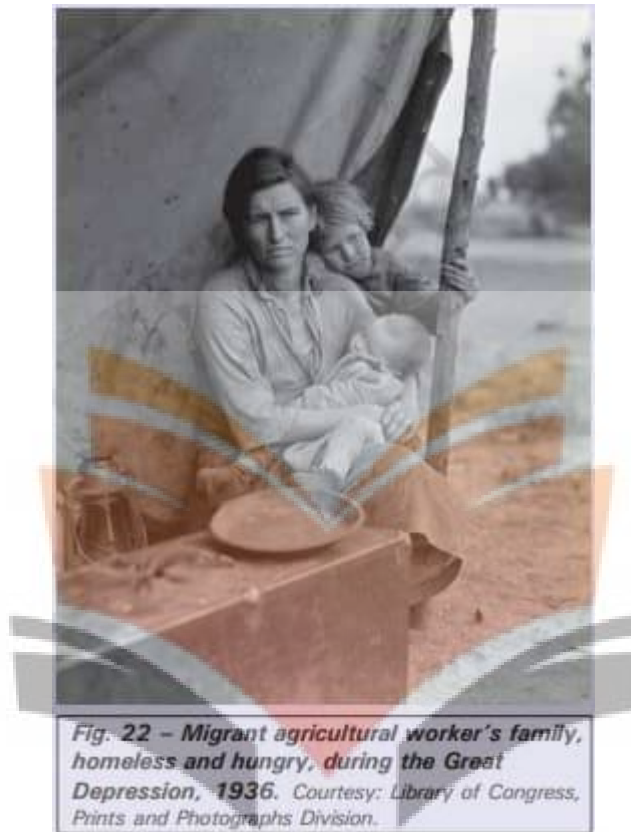
- In 1923, the US became the largest overseas lender, resuming capital exports and boosting world trade.
- US imports and capital exports contributed to European recovery and global income growth.

9. Prosperity Not Sustained:

- The boom in the 1920s, driven by increased consumption and investment, proved temporary.
- By 1929, the world faced a severe economic depression.

Understanding the factors contributing to the US economic recovery, the role of mass production, and the subsequent boom and its consequences is crucial for exam preparation.

The Great Depression



1. The Great Depression (1929–mid 1930s):

- Catastrophic declines in production, employment, incomes, and trade were witnessed globally.
- Varied impact and timing, with agricultural regions and communities being the worst affected.

2. Factors Leading to the Depression:

- Agricultural overproduction worsened by falling prices, particularly affecting farming communities.
- Farmers, facing declining incomes, expanded production, exacerbating the glut and further lowering prices.

3. Impact of US Loans Withdrawal:

- In the mid-1920s, many countries heavily relied on loans from the US for investments.
- US withdrawal of loans led to a crisis, causing major banks' failures, currency collapses, and intensified slumps in agricultural and raw material prices worldwide.

4. US Protectionist Measures:

- The US, hit by the depression, doubled import duties to protect its economy.
- This move severely impacted world trade, adding to the challenges faced by other nations.

5. US Economic Collapse:

- The US, one of the most industrialized nations, was severely affected by the depression.
- Falling prices, prospect of depression, and reduced domestic lending led to a collapse in the banking system.

6. Impact on US Society:

- Consumerist prosperity of the 1920s disappeared as unemployment soared.
- Many households, unable to repay loans, lost homes, cars, and consumer durables.

7. Bank Failures and Business Collapses:

- US banks, unable to recover investments, went bankrupt, leading to the closure of thousands of banks.

- Between 1929 and 1932, about 110,000 companies collapsed.

8. Enduring Effects Beyond Economic Recovery:

- Modest economic recovery by 1935, but the Great Depression had lasting effects on society, politics, international relations, and people's mindsets.

Understanding the factors leading to the Great Depression, its global impact, and the challenges faced by various nations is crucial for exam preparation.

India and the Great Depression

1. Global Impact on India:

- The Great Depression showcased the interconnectedness of the global economy in the early twentieth century.
- Crises in one part of the world had rapid and widespread effects on lives, economies, and societies globally.

2. Impact on Indian Trade:

- India's exports and imports nearly halved between 1928 and 1934.
- The plunge in international prices directly affected India, leading to a significant economic downturn.

3. Price Crash in India:

- International price crashes were mirrored in India, with a 50% fall in wheat prices between 1928 and 1934.
- The interconnectedness of economies meant that global economic trends directly influenced local price levels.

4. Agricultural Sector Struggles:

- Peasants and farmers faced severe challenges due to falling agricultural prices.
- Despite sharp declines in prices, the colonial government maintained high revenue demands, amplifying the plight of peasants.

5. Impact on Peasants:

- Peasants engaged in producing for the world market were disproportionately affected.
- The colonial government's refusal to reduce revenue demands added to the hardships faced by peasants.

6. Jute Producers in Bengal:

- Jute producers in Bengal, heavily dependent on exports, faced a dire situation.
- The collapse of gunny bag exports led to a more than 60% crash in the price of raw jute, pushing peasants into deeper debt.

The Bengal jute growers' lament:

"grow more jute, brothers, with the hope of greater cash.
Costs and debts of jute will make your hopes get dashed.
When you have spent all your money and got the crop off the
ground, ... traders, sitting at home, will pay only Rs 5 a maund."

7. Peasants' Indebtedness:

- The Great Depression led to a substantial increase in peasants' indebtedness across India.

- Peasants depleted savings, mortgaged lands, and sold jewellery to meet their expenses during the economic downturn.

8. Export of Precious Metals:

- India, facing economic challenges, became a notable exporter of precious metals, particularly gold.
- John Maynard Keynes believed that Indian gold exports contributed to global economic recovery, benefiting Britain.

9. Impact on Indian Peasantry:

- The economic hardships aggravated by the depression led to widespread unrest in rural India.
- The Civil Disobedience Movement, initiated by Mahatma Gandhi in 1931, gained momentum amid rural discontent.

10. Urban India's Experience:

- Urban areas experienced a relatively less grim scenario during the depression.
- Individuals with fixed incomes, like town-dwelling landowners and middle-class salaried employees, found themselves in a better financial position due to falling prices.

11. Impact on Industrial Investment:

- Falling prices and nationalist pressure prompted the government to extend tariff protection to industries.
- This resulted in the growth of industrial investment during the Depression, contributing to economic recovery in urban areas.

Rebuilding a World Economy: The Post-war Era



Fig. 24 – German forces attack Russia, July 1941. Hitler's attempt to invade Russia was a turning point in the war.

1. Second World War Overview:

- Broke out two decades after the First World War, fought between Axis powers (*Germany, Japan, Italy*) and Allies (*Britain, France, Soviet Union, US*).
- Six-year duration, involving multiple fronts – *land, sea, and air*.

2. Casualties and Destruction:

- Enormous death and destruction: Approximately 60 million people, 3% of the world's 1939 population, were killed directly or indirectly.
- The majority of deaths occurred outside battlefields, impacting civilians more than soldiers.
- Extensive devastation in Europe and Asia, cities destroyed by aerial bombardment and artillery attacks.

3. Post-war Reconstruction Influences:

- **US Emergence:** The US emerged as the dominant economic, political, and military power in the Western world.
- **Soviet Union Dominance:** The Soviet Union, having made significant sacrifices to defeat Nazi Germany, transformed into a world power during the war.

4. Economic and Social Impact:

- The war caused immense economic devastation and social disruption globally.
- Reconstruction efforts were anticipated to be challenging and prolonged.

Understanding the significant influences on post-war reconstruction, especially the roles of the US and the Soviet Union, is crucial for exam preparation.

Post-war Settlement and the Bretton Woods Institutions

1. Lessons from Inter-War Economic Experiences:

a. First Lesson:

- An industrial society based on mass production needs mass consumption for sustainability.
- High and stable incomes are crucial for ensuring mass consumption. Stable incomes require steady, full employment.

b. Second Lesson:

- Governments need to intervene to minimize fluctuations in price, output, and employment.
- Market mechanisms alone cannot guarantee full employment.

2. Economic Links with the Outside World:

- Achievement of full employment requires government control over the *flows of goods, capital, and labour*.
- Government intervention is essential for economic stability.

3. Post-War International Economic System – Bretton Woods:

- Framework was established at the United Nations Monetary and Financial Conference in July 1944 at Bretton Woods, USA.
- Created the International Monetary Fund (IMF) to manage external surpluses and deficits.
- Established the International Bank for Reconstruction and Development (World Bank) for postwar reconstruction.
- Collectively referred to as the Bretton Woods institutions or twins.

4. Bretton Woods System – Characteristics:

- IMF and World Bank operations commenced in 1947.
- Western industrial powers, with the US having an effective right of veto, control decision-making.
- International monetary system based on fixed exchange rates.
- Currencies, like the Indian rupee, pegged to the dollar at fixed rates; the dollar anchored to gold at \$35 per ounce.

Understanding the lessons drawn from the inter-war period and the establishment of the Bretton Woods system, along with its key components, is crucial for exam preparation.

The Early Post-war Years

1. Impact of the Bretton Woods System:

- Inaugurated an era of unprecedented growth in trade and incomes for Western industrial nations and Japan.
- Annual world trade growth exceeded 8% between 1950 and 1970.
- Incomes grew by nearly 5% during the same period.
- The growth was characterized by stability, with minimal large fluctuations.

2. Stability in Industrial Countries:

- Unemployment rates in most industrial countries averaged less than 5% for much of the period.
- Reflects the success of the Bretton Woods system in maintaining economic stability.

3. Global Spread of Technology and Enterprise:

- Developing countries were eager to catch up with advanced industrial nations.
- Massive capital investments were made to import industrial plants and equipment featuring modern technology.
- The era witnessed the widespread dissemination of technology and enterprise on a global scale.

Decolonisation and Independence

1. Post-WWII Decolonization:

- After WWII, most colonies in Asia and Africa gained independence from European colonial rule.
- The emergence of free, independent nations, faced challenges such as poverty and resource limitations.
- Economies and societies were impacted by the legacy of long periods of colonial rule.

2. Focus Shift of Bretton Woods Institutions:

- Initially designed for industrial countries, the IMF and World Bank shifted attention to developing countries in the late 1950s.
- Europe and Japan's reduced dependence allowed the institutions to address the needs of developing nations.

3. Irony of Guidance and Control:

- Newly independent countries sought guidance from international agencies dominated by former colonial powers.
- Former colonial powers maintained control over vital resources like minerals and land in many ex-colonies.

4. Corporate Exploitation:

- Large corporations, especially from powerful countries like the US, secured rights to exploit natural resources in developing countries at low costs.

5. Group of 77 (G-77):

- Developing countries formed the Group of 77 to demand a New International Economic Order (NIEO).

- NIEO aimed for real control over natural resources, increased development assistance, fair prices for raw materials, and better market access for manufactured goods in developed countries.

End of Bretton Woods and the Beginning of 'Globalisation'

1. US Financial Challenges:

- Despite stable growth, rising costs of overseas involvements weakened US finances and competitive strength.
- Confidence in the US dollar declined, leading to the collapse of fixed exchange rates and the adoption of floating exchange rates.

2. Shift in International Financial System (Mid-1970s):

- Developing countries turned to Western commercial banks instead of international institutions for loans.
- Resulted in periodic debt crises in developing nations, impacting incomes and increasing poverty, particularly in Africa and Latin America.

3. Rise in Unemployment (Mid-1970s to Early 1990s):

- Unemployment increased in the industrial world from the mid-1970s until the early 1990s.

4. MNCs' Shift to Low-Wage Asian Countries (Late 1970s):

- Multinational Corporations (MNCs) relocated production operations to low-wage Asian countries, leading to a shift in global economic dynamics.

- China emerged as a significant destination due to its low-cost structure, especially low wages.

5. China's Reintegration into the World Economy:

- China, previously isolated since the 1949 revolution, reintegrated into the global economy with new economic policies.
- The collapse of the Soviet Union and communism in Eastern Europe contributed to this reintegration.

6. Impact on World Trade and Capital Flows:

- Relocation of industries to low-wage countries, particularly China, stimulated world trade and capital flows.
- Economic transformation in countries like India, China, and Brazil reshaped the world's economic geography.

Understanding the US financial challenges, the shift in the international financial system, the rise in unemployment, MNCs' relocation to low-wage countries, China's reintegration, and the impact on world trade is crucial for exam preparation.

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