Chapter 4
The Making of a Global World

❖ Globalisation started as early as 3000 BCE with the exchange of money, values, skills, ideas, inventions and even germs and diseases.

❖ Silk Routes
- Many silk routes connected Asia with Europe and northern Africa.
- Chinese silk, pottery, Indian textiles and spices were traded for precious metals from Europe.
- Christian missionaries and Muslim preachers travelled through these routes for preaching and teaching religion. Buddhism too spread by using these routes.
- Indian foods such as potatoes, soya, groundnuts, maize, tomatoes, chillies and sweet potatoes travelled from Europe and Asia.

❖ Conquest and Trade
- The pre-modern world shrank greatly in the sixteenth century when the European sailors found a sea route to Asia.
- The Portuguese and Spanish conquest and colonisation of America was decisively underway by the mid-sixteenth century.
- Diseases such as smallpox (from Spain) were brought by the conquerors, which spread quickly into the continent of America and Europe. This killed and decimated whole communities, paving the way for their conquest.
- In America, by the eighteenth century, plantations worked by slaves captured in Africa were growing cotton and sugar for European markets.
- China retreated to isolation by restricting her overseas contacts from the fifteenth century. Hence, Europe now emerged as the centre of world trade.

❖ The Nineteenth Century (1815-1914)
- The world changed a lot due to the flow of trade, flow of labour and the movement of capital.
- The growth in population from the late eighteenth century increased the demands for food grains in Britain. As urban centres expanded and industry grew, the demand for agricultural products went up, pushing up food grain prices.
- The Corn Law restricted the import of corns. Unhappy with the high food prices, industrialists and urban dwellers forced the abolition of Corn Law.
- After the Corn Law, imports were cheaper than the produce. The British demand rose with a fall in the food prices as their incomes and consumption both increased.
- In Eastern Europe, Russia, America and Australia lands were cleared and food production increased to meet the British demand.
- Railways were built for linking the agricultural regions to the ports. New harbours were built and new homes and settlements were constructed.
The capital came from Britain and labour was supplied from America, Australia and other places.

By 1890, many people and cultures were exchanged due to this interaction.

**Role of Technology in Spreading Globalisation**

- The railways, steamships and the telegraph were important inventions of the 19th century world.
- Social, political and economic factors made the technology advanced.
- Refrigerated ships were made for transporting perishable food over long distances. Frozen meat could now be transported, making it available for the poor in Europe.
- Better living conditions promoted social peace within the country and support for imperialism abroad.

**Late Nineteenth Century Colonialism**

- The expansion of trade and a closer relationship with the world economy meant a loss of freedom and livelihoods for many Asian, American and African countries.
- Late nineteenth century European conquests produced many painful economic, social and ecological changes through which the colonized societies were brought into the world economy.
- Britain, France, Belgium, US and Germany became colonial powers.
- Europeans faced a shortage of labour in Africa due to the unwillingness of the self-sufficient people to work for wage.
- **Rinderpest or the Cattle Plague, 1890:** Rinderpest arrived in Africa. It was carried by infected cattle imported from British Asia for feeding the Italian soldiers invading Eritrea in East Africa. Rinderpest killed 90 per cent of the cattle. African livelihoods were destroyed due to the loss of cattle.
- Planters, mine owners and colonial governments now successfully monopolized what scarce cattle remained and strengthened their position in Africa and forced the Africans into the labour markets.
- Heavy taxes were imposed, which could be paid only by working for wages on plantations and mines.
- Only one person of the family was allowed to inherit the land; thus, pushing the others into the labour market.
- Mineworkers were also confined to compounds and not allowed to move about freely.

**Indentured Labour Migration from India**

- Hundreds and thousands of indentured Chinese and Indian labourers were hired for working in plantations, mines and road and railway construction projects around the world.
- Most indentured workers came from the present-day regions of Uttar Pradesh, Bihar, Central India and the dry districts of Tamil Nadu. These regions experienced a decline in cottage industries and rising land rents.
• The poor could not pay their rents and became deeply indebted and were forced to migrate in search of work.

• The main destinations of Indian indentured migrants were the Caribbean islands (Mainly Trinidad, Mauritius and Fiji). Tamil migrants went to Ceylon and Malaya. Indentured workers were also recruited for tea plantation in Assam.

• Recruitments were done by the agents engaged by employers.

• Nineteenth century indenture has been described as a ‘new system of slavery’.

• Living and working conditions of indentured labourers were harsh and few legal rights were granted to them.

• Labourers assimilated themselves with the culture of the new place. In Trinidad, the annual Muharram procession was transformed into a riotous carnival called ‘Hosay’ in which workers of all races and religion joined. ‘Chutney music’, popular in Trinidad and Guyana, is another creative contemporary expression of the post-indenture experience.

• 1921: Indenture labour migration was abolished officially

❖ Indian Entrepreneurs Abroad

• Indian traders followed the colonialists and established business at the newly colonised regions of the world.

• Shikaripuri Shroffs and Nattukottai Chettiars financed export agriculture in Central and Southeast Asia, using either their own funds or those borrowed from European banks.

• Hyderabadi Sindhi traders established flourishing emporia at busy ports worldwide, selling local and imported curios to tourists.

❖ Indian Trade, Colonialism and the Global System

• Imposition of tariffs on cloth imports into Britain made the demand of the fine Indian cotton decline.

• India helped Britain balance its deficits with other countries by importing British goods at high cost and exporting its raw materials at a low cost.

❖ Wartime Transformations

• The First World War (1914-18) was fought between two power blocs i.e., the Allies comprising Britain, France and Russia (later joined by the US) and the Central Powers comprising Germany, Austria, Hungary and Ottoman Turkey.

• The First World War was the first modern industrial war. Machine guns, tanks, aircrafts, chemical weapons, etc. were used on a massive scale.

• The death of the able-bodied led to a decline in the workforce in Europe. Hence, household incomes declined.

• During the war, industries were reconstructed to produce war-related goods. Entire societies were also reorganized for war as men went to battle and women did jobs that earlier only men were expected to do.
- Britain borrowed large sums of money from US banks and the public. Thus, making the US and its citizens own more overseas assets than foreign governments and citizens owned in the US.

**Post-War Recovery**
- Post-war recovery for Britain was hopeless. Burdened with huge external debts, Britain could not compete with Japan and recapture its dominance over the Indian market.
- 1921: One in every five British workers was out of work due to the increase in the unemployment rate and a fall in the production, after an initial period of the wartime boom.
- Grain prices fell, rural income declined and farmers fell deeper into debt because of the recovery of the European wheat production as markets were over-flooded with food grains.

**Rise of Mass Production and Consumption**
- 1920: Mass production seen as an important feature in the US
  - The T-Model Ford was the world’s first mass-produced car.
  - An increase in the output per worker was achieved by speeding up the pace of the work under the watchful eyes of the conveyor.
  - Wages were doubled and trade unions were disbanded.
  - The purchasing capacity of workers increased.
  - Credit repaid in weekly or monthly instalments increased the demand for refrigerators, washing machines, radios, gramophone players etc.
  - Large investments in housing and household goods created high employment and incomes and a rise in consumption, investments, employment and incomes.
- 1923: The US resumed exporting capital to the rest of the world and became the largest overseas lender. US imports and capital exports also boosted European recovery and world trade and income growth over the next six years.

**The Great Depression (1929-1930)**
- The world experienced declines in production, employment, incomes and trade. The fall in agricultural prices was more prolonged than the prices of industrial goods.
- **Causes**
  - Agricultural overproduction: The falling agricultural prices caused a decline in agricultural incomes. The farmers now tried to expand production and bring a larger volume of produce to the market for maintaining their overall income. This worsened the situation in the market, pushing down prices even further. Farm produce rotted for a lack of buyers.
  - In the first half of 1928, US overseas loans amounted to over $1 billion. Countries that depended crucially on US loans now faced an acute crisis.
The withdrawal of the US loans led to the failure of some major banks and the collapse of currencies such as the British Pound Sterling.

In Latin America and elsewhere, it intensified the slump in agricultural and raw material prices.

The US attempt to protect its economy in the depression by doubling import duties also affected the world trade.

- **Effects**
  - By 1933, over 4,000 banks had closed.
  - **1929-1932:** 110,000 companies had collapsed.
  - Farmers could not sell their harvests, households were ruined and business collapsed.
  - A household in the US could not repay what they had borrowed and were forced to give up their homes, cars and other consumer durables.
  - Unable to recover investments, collect loans and repay depositors, thousands of banks went bankrupt and were forced to close. Thus, the US banking system collapsed.

- **India and the Great Depression**
  - **1928-1934:** India’s exports and imports nearly halved
  - Wheat prices in India fell by 50%.
  - Though agricultural prices fell sharply, the colonial government refused to reduce revenue demands. Peasants producing for the world market were the worst hit.
  - Peasants who borrowed in the hope of better times or to increase output in the hope of higher incomes faced even lower prices and fell deeper into debt.
  - Peasants used up their savings, mortgaged lands and sold whatever jewellery and precious metals they had to meet their expenses.
  - India became an exporter of precious metals notably gold, which helped speed up the British recovery.
  - In urban India, because of the fall in prices, the fixed salaried people found themselves better off. Industrial investment also grew as the government extended tariff protection to industries under the pressure of nationalist opinion.

- **Second World War**
  - The Second World War broke out a mere two decades after the end of the First World War.
  - It was fought between the Axis Powers (Mainly Nazi Germany, Japan and Italy) and the Allies (Britain, France, the Soviet Union and the US).
  - Many more civilians and soldiers died. Vast parts of Europe and Asia were devastated and several cities were destroyed by aerial bombardment or relentless artillery attacks. Immense amount of economic devastations and social disruptions were caused.
  - **Effects**
➢ The US emerged as the new economic, political and military superpower of the Western world.
➢ The Soviet Union transformed itself from a backward agricultural country into a world power, by defeating the Nazi Germany during the Great Depression.

❖ Post-War Settlements and the Bretton Woods Institution

 • Steps for minimizing price fluctuations, output and employment were adopted by the governments all over the world for ensuring economic stability.
 • July, 1944: A framework for preserving economic stability and full employment was agreed upon at the United Nations Monetary and Financial Conference at Bretton Woods in New Hampshire, USA.
 • The International Monetary Fund (IMF) was set up to deal with external surpluses and deficits of its member nations.
 • The International Bank for Reconstruction and Development (World Bank) was set up for financing post-war reconstruction.
 • 1947: The IMF and World Bank commenced financials operations
 • The Bretton Woods System was based on fixed exchange rates. In this system, national currencies were pegged to the dollar at a fixed exchange rate. The dollar itself was anchored to gold at a fixed price of $30 per ounce of gold.

❖ Early Post-War Years

 • The Bretton Woods system inaugurated an era of unprecedented growth of trade and incomes for the Western industrial nations and Japan.
 • 1950-1970: World trade grew annually at over 8% and incomes at nearly 5%.
 • The unemployment rate averaged less than 5% in most industrial countries.
 • 1920: First multinational companies were established

❖ Decolonisation and Independence

 • After the Second World War, colonies in Asia and Africa emerged as free and independent nations. These nations were handicapped by the colonial rule and were therefore overburdened by poverty and a lack of resources.
 • The IMF and the World Bank failed on the face of poverty and lack of development. Japan and Europe rapidly rebuilt their economies and grew less dependent on the World Bank.
 • 1950s: The Bretton Woods shifted their attention more towards developing countries.
 • The former colonial powers still controlled vital resources such as minerals and land in many of their former colonies.
 • The developing countries organized themselves as a group – the Group of 77 (G-77) – for demanding a new international economic order (NIEO).
NIEO is a system that would give control to the developing countries over their natural resources, more development assistance, fairer prices for raw materials and better access to their manufactured goods.

End of Bretton Woods and the Beginning of Globalisation

- From 1960s, the rising cost of overseas involvements weakened US finances and competitive strength.
- The US dollar lost its value as it could not maintain its value in relation to gold. Therefore, the system of fixed exchange rates collapsed and the system of floating exchange rates emerged.
- Developing countries were forced to borrow from Western commercial banks and private lending institutions. This led to a periodic debt crisis in the developing world, which resulted in lower incomes and increased poverty in Africa and Latin America.
- Unemployment increased in the industrial world.

By late 1970s, MNCs began shifting production to Asian countries where cheap labour was available. This stimulated world trade and capi

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