

Chapter 3 The Making of a Global World

Introduction

- Globalisation is an economic system associated with the free movement of goods, technology, ideas and people across the globe.

Section I: Pre Modern World

Silk Routes

- There are several silk routes, over land and by sea, knitting together vast regions of Asia, and linking Asia with Europe and northern Africa.
→ Famous Chinese silk cargoes used to travel through these routes.

Food Travels: Spaghetti and Potato

- Noodles travelled west from China to become spaghetti.
- Common foods such as potatoes, soya, groundnuts, maize, tomatoes, chillies, sweet potatoes were only introduced in Europe and Asia after Christopher Columbus discovered Americas.

Conquest, Disease and Trade

- Precious metals from mines of Peru and Mexico enhanced European trade with Asia.
- The Spanish conquerors used the germs of smallpox in the conquest of America.
- Until well into the eighteenth century, China and India were among the world's richest countries.
- Until the nineteenth century, poverty and hunger were common in Europe.

Section II: The Nineteenth Century (1815-1914)

- In the late eighteenth century, growth in the population increased the demand for food grains in Britain.
- The imported food into Britain more cheaply than it could be produced within the country.
- Industrial growth took place in Britain which led to higher incomes meaning more food imports.
- It was transported by railway and by ships.
- Food is only an example. Products such as cotton, rubber, coal also had same fate.

Role of Technology

- The railways, steamships, the telegraph were important inventions that transformed nineteenth-century world.
- After the introduction of new technology, namely, refrigerated ships animals were slaughtered for food at the starting point and then transported to Europe as frozen meat.

Late nineteenth-century Colonialism

- European conquests of Asia and Africa as colonies.
- Belgium and Germany became new colonial powers.
- The US became a colonial power in the late 1890s by taking over some colonies earlier held by Spain.

Rinderpest, or the Cattle Plague

- Rinderpest is a fast spreading cattle plague which hit Africa in the late

1880s.

- It was carried by infected cattle imported from British Asia and destroyed 90 percent of the livestock.
- The colonial governments now strengthen their power and to force Africans into the labour market.

Indentured Labour Migration from India

- Indentured Labour was a bonded labourer under contract to work for an employer.
- In the nineteenth century, thousands of Indian and Chinese labourers went to work on plantations, in mines, and in road and railway construction projects around the world.
- Recruitment was done by agents by providing false information about the work and location.
- On arrival at the plantations, labourers found living and working conditions harsh.
- It was abolished in 1921.

Indian Entrepreneurs Abroad

- Indian entrepreneurs, some bankers like Nattukottai and Chettiars financed export of agriculture to Central and South-East Asia.
→ They even followed the Europeans to Africa.
- Industrial Revolution in England changed the balance of trade between England and India.
- Indian handicraft and agriculture were destroyed and Britain enjoyed a trade surplus with

India.

→ Their exports increased and imports decreased.

Section III: The Inter-war Economy

- The First World war was the first modern industrial war.
- During the war, industries were restructured to produce war-related goods.
- The war transformed the US from being an international debtor to an international creditor.

Post-war Recovery

- After the war was over, the production reduced and unemployment increased.

Rise of Mass Production and Consumption

- In the US, war recovery was quicker.
- 'Assembly line' method introduced by Henry Ford soon spread to the US and were also widely copied in Europe in the 1920s.
- Mass production lowered the costs and prices of engineered goods.
- There was a housing and consumer boom in the 1920s, which ultimately led to the Great Depression of 1929.
- Markets crashed in 1929 and led to the failure of banks and the crisis affected other countries.
→ By 1933, over 4000 banks closed and between 1929-32 about 110,000 companies collapsed.

India and the Great Depression

- India was also affected by the Great Depression.
- Indian exports and imports declined extensively, prices fell.
- Bengal jute growers suffered the most.
- Large scale migration took place from villages to towns and cities.

Section IV: Rebuilding a World Economy: The Post-war Era

- The Second World War broke out a mere two decades after the end of the First World War and once again, it led to destruction.
- After the USA and the USSR emerged as superpowers.

Post-war Settlement and the Bretton Woods Institutions

- To ensure a stable economy a framework was agreed upon at the United Nations Monetary and Financial Conference held at Bretton Woods in New Hampshire, USA.
- It established the International Monetary Fund (IMF) and the World Bank.
- The International Monetary Fund (IMF) to deal with external surpluses and deficits of its member nations.
- The International Bank for Reconstruction and Development (popularly known as the World Bank) was set up to finance post-war reconstruction.
- The IMF and the World Bank commenced financial operations in 1947.
- Bretton Woods System was based on a fixed exchange rate.
- National currencies were pegged to the American dollar at a fixed rate.

- Decision-making in these institutions is controlled by the Western industrial powers largely by the US.

Decolonisation and Independence

- Many countries in Asia and Africa became independent nations, supported by UNO and NAM.
- Group of 77 or G-77 was organised by developing countries to demand a new international economic order (NIEO) which would give these countries real control over their national resources, raw materials, manufactured goods in their markets.
- MNCs or multinational companies were established in the 1950s and 1960s and operated in several countries.