Chapter 3: The Making of a Global World

Exercise 3.1 — Write in brief

Q1 Give two examples of different types of global exchanges which took place before the seventeenth century, choosing one example from Asia and one from the Americas.

SOLUTION

Even before the seventeenth century the world was linked through the exchange of goods, people, foods, germs and ideas.

Example from Asia: The silk routes were a vibrant example of pre-modern trade and cultural links. West-bound Chinese silk, along with Chinese pottery, and textiles and spices from India and Southeast Asia, travelled along these routes, while precious metals such as gold and silver flowed from Europe to Asia. Traders, missionaries and preachers, and even Buddhism, spread along these routes.

Example from the Americas: Many of our common foods such as potatoes, soya, groundnuts, maize, tomatoes, chillies and sweet potatoes were not known to our ancestors until about five centuries ago. They were introduced in Europe and Asia only after Christopher Columbus reached the Americas, having come originally from America's original inhabitants.

Answer: Asia: exchange of silk, pottery, spices and ideas along the silk routes. Americas: the spread of new foods such as the potato, maize and chillies to Europe and Asia after Columbus.

Q2 Explain how the global transfer of disease in the pre-modern world helped in the colonisation of the Americas.

SOLUTION

The most powerful weapon of the Spanish conquerors of America was not a conventional military weapon but the germs, such as those of smallpox, that they carried on their bodies.

Because America's original inhabitants had been isolated for a very long time, they had no immunity against these diseases coming from Europe. Smallpox in particular proved a deadly killer. Once introduced, it spread deep into the continent, ahead even of any Europeans reaching there, killing and decimating

whole communities and paving the way for conquest.

Unlike guns, which could be bought or captured and turned against the invaders, the Europeans were mostly immune to smallpox, so the disease gave them a decisive advantage in colonising the Americas.

Answer: European germs, especially smallpox, killed vast numbers of America's original inhabitants who had no immunity, decimating communities and clearing the way for European conquest and colonisation.

Q3 Write a note to explain the effects of the following: a) The British government's decision to abolish the Corn Laws. b) The coming of rinderpest to Africa. c) The death of men of working-age in Europe because of the World War. d) The Great Depression on the Indian economy. e) The decision of MNCs to relocate production to Asian countries.

SOLUTION

a) Abolition of the Corn Laws: After the Corn Laws were scrapped, food could be imported into Britain more cheaply than it could be produced there. British agriculture could not compete with imports, so vast areas of land were left uncultivated and thousands of men and women were thrown out of work; they flocked to the cities or migrated overseas. As food prices fell, consumption rose, and lands were cleared around the world to meet British demand.

b) Coming of rinderpest to Africa: Rinderpest, a cattle plague, arrived in the late 1880s carried by infected cattle imported to feed Italian soldiers invading Eritrea. Moving west 'like forest fire', it killed 90 per cent of the cattle. The loss of cattle destroyed African livelihoods. Planters, mine owners and colonial governments monopolised the scarce remaining cattle, which strengthened their power and forced Africans into the labour market, helping Europeans to conquer and subdue Africa.

c) Death of working-age men in Europe during the World War: The scale of death and destruction in the First World War (9 million dead and 20 million injured) was unthinkable before. Most of the killed and maimed were men of working age. These deaths and injuries reduced the able-bodied workforce in Europe; with fewer members in the family, household incomes declined after the war. Women also stepped in to do jobs earlier done only by men.

d) The Great Depression on the Indian economy: The depression immediately

affected Indian trade. India's exports and imports nearly halved between 1928 and 1934, and wheat prices fell by about 50 per cent. Peasants suffered more than urban dwellers, as the colonial government refused to reduce revenue demands. Bengal jute growers were badly hit as raw jute prices crashed over 60 per cent, and peasants' indebtedness increased. India became an exporter of precious metals, notably gold. Urban India with fixed incomes was better off as everything cost less.

e) MNCs relocating production to Asian countries: From the late 1970s MNCs began shifting production to low-wage Asian countries such as China, where wages were relatively low. This made such countries attractive destinations for foreign investment. The relocation stimulated world trade and capital flows, and transformed the world's economic geography as countries such as India, China and Brazil underwent rapid economic transformation.

Answer: a) Cheap food imports, ruined British farming, rural job loss and migration. b) 90% of cattle died, African livelihoods destroyed, forcing them into wage labour. c) Reduced working-age workforce, lower household incomes. d) Trade halved, prices crashed, peasant indebtedness rose, gold exported. e) Trade and capital flows stimulated; Asian economies transformed.

Q4 Give two examples from history to show the impact of technology on food availability.

SOLUTION

Technology greatly improved the transport and supply of food in the nineteenth century.

Example 1 - Railways and steamships: Faster railways, lighter wagons and larger ships helped move food more cheaply and quickly from faraway farms to final markets. This allowed food produced thousands of miles away to reach consumers, so that food no longer came from a nearby village but from distant lands.

Example 2 - Refrigerated ships: Earlier, animals were shipped live from America to Europe, which was costly because they took up ship space, died in voyage or lost weight, making meat an expensive luxury. The development of refrigerated ships allowed animals to be slaughtered in America, Australia or New Zealand and transported as frozen meat. This reduced shipping costs, lowered meat

prices in Europe, and allowed even the poor to add meat to their diet.

Answer: Railways and steamships moved food cheaply from distant farms to markets; refrigerated ships allowed frozen meat to be shipped, lowering prices so even the poor could eat meat.

Q5 What is meant by the Bretton Woods Agreement?

SOLUTION

The framework of the post-war international economic system was agreed upon at the United Nations Monetary and Financial Conference held in July 1944 at Bretton Woods in New Hampshire, USA. Its main aim was to preserve economic stability and full employment in the industrial world.

The Bretton Woods conference established the International Monetary Fund (IMF) to deal with external surpluses and deficits of its member nations, and the International Bank for Reconstruction and Development (the World Bank) to finance post-war reconstruction. These are called the Bretton Woods institutions or twins, and the system is called the Bretton Woods system.

The system was based on fixed exchange rates: national currencies such as the Indian rupee were pegged to the dollar at a fixed rate, and the dollar was anchored to gold at $35 per ounce of gold. The IMF and World Bank began financial operations in 1947.

Answer: The 1944 Bretton Woods Agreement set up the post-war economic system of fixed exchange rates and created the IMF and the World Bank to ensure economic stability and finance reconstruction.

Q6 Explain the three types of movements or flows within international economic exchange. Find one example of each type of flow which involved India and Indians, and write a short account of it.

SOLUTION

Economists identify three types of movement or 'flows' within international economic exchanges:

1) The flow of trade - which in the nineteenth century referred largely to trade in goods such as cloth or wheat.

2) The flow of labour - the migration of people in search of employment.

3) The movement of capital - for short-term or long-term investments over long distances.

Example of trade involving India: Fine cottons produced in India were exported to Europe. With British industrialisation, tariffs were imposed on cloth imports into Britain, and the share of cotton textiles in India's exports fell from about 30 per cent around 1800 to below 3 per cent by the 1870s, while exports of raw materials such as raw cotton and indigo rose.

Example of labour involving India: In the nineteenth century, hundreds of thousands of Indian indentured labourers migrated under contract to work on plantations in the Caribbean (mainly Trinidad, Guyana and Surinam), Mauritius and Fiji, while Tamil migrants went to Ceylon and Malaya. They faced harsh conditions in what was called a 'new system of slavery'.

Example of capital involving India: Indian bankers and traders such as the Shikaripuri Shroffs and Nattukottai Chettiars financed export agriculture in Central and Southeast Asia, using their own funds or funds borrowed from European banks, and had a sophisticated system to transfer money over large distances.

Answer: The three flows are trade (goods), labour (migration) and capital (investment). Indian examples: cotton and raw-material trade with Britain, indentured labour migration to the Caribbean and Mauritius, and Indian bankers financing export agriculture abroad.

Q7 Explain the causes of the Great Depression.

SOLUTION

The Great Depression, which began around 1929 and lasted till the mid-1930s, was caused by a combination of several factors that made the post-war world economy fragile.

First, agricultural overproduction remained a problem, made worse by falling agricultural prices. As prices slumped and incomes declined, farmers expanded production to maintain their income, which worsened the glut in the market and pushed prices down even further. Farm produce rotted for lack of buyers.

Second, in the mid-1920s many countries financed their investments through loans from the US. It was easy to raise loans when times were good, but US overseas lenders panicked at the first sign of trouble. US overseas loans, over $1

billion in the first half of 1928, fell to a quarter of that amount a year later. Countries dependent on US loans faced an acute crisis.

The withdrawal of US loans led to the failure of major banks and the collapse of currencies such as the British pound sterling in Europe, and intensified the slump in agricultural and raw material prices elsewhere. The US attempt to protect its economy by doubling import duties dealt a further blow to world trade.

Answer: Agricultural overproduction and falling prices, over-dependence on easily-withdrawn US loans, the panic and withdrawal of those loans, bank and currency collapses, and higher US import duties together caused the Great Depression.

Q8 Explain what is referred to as the G-77 countries. In what ways can G-77 be seen as a reaction to the activities of the Bretton Woods twins?

SOLUTION

Most developing countries did not benefit from the fast growth that the Western economies experienced in the 1950s and 1960s. So they organised themselves as a group - the Group of 77, or G-77 - to demand a new international economic order (NIEO). By the NIEO they meant a system that would give them real control over their natural resources, more development assistance, fairer prices for raw materials, and better access for their manufactured goods in developed countries' markets.

The G-77 can be seen as a reaction to the Bretton Woods twins (the IMF and the World Bank) because these institutions were designed to meet the financial needs of the industrial countries and were not equipped to deal with poverty and lack of development in the former colonies. Decision-making in the IMF and World Bank was controlled by the Western industrial powers, with the US holding an effective right of veto.

As newly independent countries, the G-77 nations found themselves under the guidance of agencies dominated by their former colonial powers, who still controlled vital resources. The G-77 was therefore a way for developing countries to demand a fairer economic order that the Bretton Woods system did not provide.

Answer: The G-77 is the group of developing countries that demanded a new international economic order (NIEO). It was a reaction against the Western-dominated IMF and World Bank, which served industrial nations and neglected the poverty and development needs of former colonies.