'HISTORY'

Chapter-4-Lecture Notes

"The Making of A Global World"

When we talk of 'globalisation' we often refer to an economic system that has emerged since the last 50 years or so. the making of the global world has a long history – of trade, of migration, of people in search of work, the movement of capital, and much else.

The Pre Modern World

- Human societies have steadily more interlinked.
- Travelers, traders, priest and pilgrims travelled vast distance for carrying goods, money, ideas, skills, inventions and even germs and disease.
- As early as 3000 BCE an active coastal trade linked the Indus valley civilisations with present-day West Asia.
- **For more than a millennia, cowries (the Hindi cowdi or seashells, used as a form of currency) from the Maldives found their way to China and East Africa.**

- **Silk Route Link the World**

- The silk routes were regarded as the most important route linking the distant parts of the world. The name 'silk routes' points to the importance of West-bound Chinese silk cargoes along this route.
- **Routes were existed even before the Christian Era and flourished till the 15th century.**
- The Buddhist preachers, Christian missionaries and later on Muslim preacher used to travel by Routes.
- Routes proved to be a great source of trade and cultural links between distinct parts of the world.

- **Food travel: spaghetti and potato**

- Food offers many examples of long-distance cultural exchange.
- Traders and travellers introduced new crops to the lands they travelled.
- **Spaghetti and noodles, is believed that noodles travelled west rom China to become spaghetti.**
- Arab traders took pasta to fifth-century Sicily, an island now in Italy.
- Many of our common foods such as potatoes, soya, groundnuts, maize, tomatoes, chillies, sweet potatoes, and so on were not known to our ancestors until about five centuries ago.
- **These foods were only introduced in Europe and Asia after Christopher Columbus accidentally discovered the vast continent that would later become known as the Americas.**
- In fact, many of our common foods came from America's original inhabitants – the American Indians.
- Sometimes the new crops could make the difference between life and death.
- Europe's poor began to eat better and live longer with the introduction of the humble potato.
- Ireland's poorest peasants became so dependent on potatoes that when disease destroyed the potato crop in the mid-1840s, hundreds of thousands died of starvation.

- **Conquest, Disease and Trade:**
  - The pre-modern world shrank greatly in the sixteenth century after European sailors found a sea route to Asia and also successfully crossed the western ocean to America.
  - For centuries before, the Indian Ocean had known a bustling trade, with goods, people, knowledge, customs, etc. crisscrossing its waters.
  - **After the discovery of America, its vast lands and abundant crops and minerals began to transform trade and lives everywhere.**
  - Precious metals, particularly silver, from mines located in present- day Peru and Mexico also enhanced Europe's wealth and financed its trade with Asia.
  - Legends spread in seventeenth-century Europe about South America's fabled wealth. Many expeditions set off in search of El Dorado, the fabled city of gold.
  - **The Portuguese and Spanish conquest and colonization of America was decisively under way by the mid-sixteenth century.**
  - European conquest was not just a result of superior firepower.
  - In fact, the most powerful weapon of the Spanish conquerors was not a conventional military weapon at all.
  - It was the germs such as those of smallpox that they carried on their person. Because of their long isolation, America's original inhabitants had no immunity against these diseases that came from Europe.
  - Smallpox in particular proved a deadly killer.
  - Once introduced, it spread deep into the continent, ahead even of any Europeans reaching there.
  - It killed and decimated whole communities, paving the way for conquest.
  - Guns could be bought or captured and turned against the invaders. But not diseases such as smallpox to which the conquerors were mostly immune.
  - **Until well into the eighteenth century, China and India were among the world's richest countries.**
  - They were also pre-eminent in Asian trade. However, from the fifteenth century, China is said to have restricted overseas contacts and retreated into isolation.
  - China's reduced role and the rising importance of the Americas gradually moved the centre of world trade westwards.
  - Europe now emerged as the centre of world trade.

The Nineteenth Century (1815-1914)

- Economists identify three types of movement or 'flows' within international economic exchanges.
- **The first is the flow of trade which in the nineteenth century referred largely to trade in goods (e.g., cloth or wheat).**
- **The second is the flow of labour** – the migration of people in search of employment.
- **The third is the movement of capital** for short-term or long-term investments over long distances.

- **A World Economy Takes Shape**
  - **All three flows were closely interwoven and affected peoples' lives more deeply now than ever before.**
  - The interconnections could sometimes be broken – for example, labour migration was often more restricted than goods or capital flows.
  - Yet it helps us understand the nineteenth-century world economy better if we look at the three flows together.
  - **Population growth from the late eighteenth century had increased the demand for food grains in Britain.**
  - As urban centres expanded and industry grew, the demand for agricultural products went up, pushing up food grain prices.
  - Under pressure from landed groups, the government also restricted the import of corn.
  - **The laws allowing the government to do this were commonly known as the 'Corn Laws'.**
  - Unhappy with high food prices, industrialists and urban dwellers forced the abolition of the Corn Laws.
  - After the Corn Laws were scrapped, food could be imported into Britain more cheaply than it could be produced within the country.
  - **British agriculture was unable to compete with imports.**
  - Vast areas of land were now 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 in Britain rose.
  - **From the mid- nineteenth century, faster industrial growth in Britain also led to higher incomes, and therefore more food imports.**
  - Around the world – in Eastern Europe, Russia, America and Australia – lands were cleared and food production expanded to meet the British demand. It was not enough merely to clear lands for agriculture.
  - Railways were needed to link the agricultural regions to the ports.
  - **New harbours had to be built and old ones expanded to ship the new cargoes.**
  - People had to settle on the lands to bring them under cultivation. This meant building homes and settlements.
  - All these activities in turn required capital and labour.
  - **Capital flowed from financial centres such as London.**
  - The demand for labour in places where labour was in short supply – as in America and Australia –led to more migration.
  - Nearly 50 million people emigrated from Europe to America and Australia in the nineteenth century.
  - All over the world some 150 million are estimated to have left their homes, crossed oceans and vast distances over land in search of a better future.
  - **Abolition of the Corn law.**
  - Under pressure from landowners' groups the government restricted the import of food grains.
  - Faster industrial growth in Britain led to higher incomes and more food imports.

- **The Role of Technology**

Fig. 8 The Smithfield Club Cattle Show, Illustrated London News, *1851*.
Cattle were traded at fairs, brought by farmers for sale. One of the oldest livestock markets in London was at Smithfield. In the mid-nineteenth century a huge poultry and meat market was established near the railway line connecting Smithfield to all the meat-supplying centres of the country.

- **Technology had a great impact on the transformation of 19th century world such as Railways, steamship and telegraph.**
- Technological advances were often the results of social, political and economic factors.
- The refrigerated ships greatly helped to transport the perishable food items over a long distance.
- It greatly facilitated the shipment of frozen meat from America, Australia or New Zealand to different European Countries.

- **Late nineteenth-century Colonialism**

Fig. 11 Sir Henry Morton Stanley and his retinue in Central Africa, Illustrated London News, *1871.*

- Trade flourished and markets expanded in the late nineteenth century. But this was not only a period of expanding trade and increased prosperity.
- **Late- nineteenth-century European conquests produced many painful economic, social and ecological changes through which the colonised societies were brought into the world economy.**
- **In 1885 the big European powers met in Berlin** to complete the carving up of Africa between them.
- Britain and France made vast additions to their overseas territories in the late nineteenth century. Belgium and Germany became new colonial powers.
- **The US also became a colonial power in the late 1890s by taking over some colonies earlier held by Spain.**

- **Rinderpest, or the Cattle Plague**
  - **In Africa, in the 1890s, a fast-spreading disease of cattle plague or rinderpest had a terrifying impact on people's livelihoods and the local economy.**
  - Historically, Africa had abundant land and a relatively small population.
  - African livelihoods and people rarely worked for a wage.
  - **In the late nineteenth century,** Europeans were attracted to Africa due to its vast resources of land and minerals.
  - Europeans came to Africa hoping to establish plantations and mines to produce crops and minerals for export to Europe.
  - But there was an unexpected problem – a shortage of labour willing to work for wages.
  - Employers used many methods to recruit and retain labour.
  - Heavy taxes were imposed which could be paid only by working for wages on plantations and mines.
  - Inheritance laws were changed so that peasants were displaced from land: only one member of a family was allowed to inherit land, as a result of which the others were pushed into the labour market.
  - **Mineworkers were also confined in compounds and not allowed to move about freely.**
  - **Rinderpest arrived in Africa in the late 1880s.** It was carried by infected cattle imported from British Asia to feed the Italian soldiers invading Eritrea in East Africa.
  - **Entering Africa in the east, rinderpest moved west 'like forest fire', reaching Africa's Atlantic coast in 1892.**
  - It reached the Cape (Africa's southernmost tip) five years later. Along the way rinderpest killed 90 per cent of the cattle.
  - The loss of cattle destroyed African livelihoods.
  - Planters, mine owners and colonial governments now successfully monopolised what scarce cattle resources remained, to strengthen their power and to force. Africans into the labour market.
  - Control over the scarce resource of cattle enabled European colonisers to conquer and subdue Africa.

- **Indentured Labour Migration from India**
  - In the nineteenth century, hundreds of thousands of Indian and Chinese labourers went to work on plantations, in mines, and in road and railway construction projects around the world.
  - **In India, indentured labourers were hired under contracts which promised return travel to India** after they had worked five years on their employer's plantation.
  - Most Indian indentured workers came from the present-day regions of eastern Uttar Pradesh, Bihar, central India and the dry districts of Tamil Nadu.
  - **In the mid-nineteenth century these regions experienced many changes – cottage industries declined, land rents rose, lands were cleared for mines and plantations.**
  - All this affected the lives of the poor: they failed to pay their rents, 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, Guyana and Surinam), Mauritius and Fiji.**

- Recruitment was done by agents engaged by employers and paid a small commission.
- Agents also tempted the prospective migrants by providing false information about final destinations, modes of travel, the nature of the work, and living and working conditions.
- On arrival at the plantations, labourers found conditions to be different from what they had imagined.
- Living and working conditions were harsh, and there were few legal rights.
- But workers discovered their own ways of surviving.
- Many of them escaped into the wilds, though if caught they faced severe punishment.
- Others developed new forms of individual and collective self-expression, blending different cultural forms, old and new.
- **In Trinidad the annual Muharram procession was transformed into a riotous carnival called 'Hosay' (for Imam Hussain) in which workers of all races and religions joined.**
- Most indentured workers stayed on after their contracts ended, or returned to their new homes after a short spell in India.
- **From the 1900s India's nationalist leaders began opposing the system of indentured labour migration as abusive and cruel. It was abolished in 1921.**

• **Indian Entrepreneurs Abroad**

- **Shikaripuri shroffs and Nattukottai Chettiars, they were amongst the many groups of bankers and traders** who financed export agriculture in Central and Southeast Asia, using either their own funds or those borrowed from European banks.
- They had a sophisticated system to transfer money over large distances, and even developed indigenous forms of corporate organisation.
- Indian traders and moneylenders also followed European colonisers into Africa.
- **Hyderabadi Sindhi traders, however, ventured beyond European colonies.**
- From the 1860s they established flourishing emporia at busy ports worldwide, selling local and imported curios to tourists whose numbers were beginning to swell, thanks to the development of safe and comfortable passenger vessels.

• **Indian Trade, Colonialism and the Global System**

- Fine cottons produced in India were exported to Europe.
- With industrialisation, British cotton manufacture began to expand, and industrialists pressurised the government to restrict cotton imports and protect local industries.
- **Tariffs were imposed on cloth imports into Britain.** Consequently, the inflow of fine Indian cotton began to decline.
- Excluded from the British market by tariff barriers, Indian textiles now faced stiff competition in other international markets.
- While exports of manufactures declined rapidly, export of raw materials increased equally fast.
- **Between 1812 and 1871, the share of raw cotton exports rose from 5 per cent to 35 per cent.**
- Indigo used for dyeing cloth was another important export for many decades. And, as you have read last year, **opium shipments to China grew rapidly from the 1820s to become for a while India's single largest export.**

- Britain grew opium in India and exported it to China and, with the money earned through this sale, it financed its tea and other imports from China.
- **Over the nineteenth century, British manufactures flooded the Indian market.**
- Food grain and raw material exports from India to Britain and the rest of the world increased.
- But the value of British exports to India was much higher than the value of British imports from India. Thus, Britain had a 'trade surplus' with India.
- Britain used this surplus to balance its trade deficits with other countries – that is, with countries from which Britain was importing more than it was selling.
- This is how a multilateral settlement system works – it allows one country's deficit with another country to be settled by its surplus with a third country.
- By helping Britain balance its deficits, **India played a crucial role in the late-nineteenth-century world economy.**

The Inter War Economic:

- The first World war was mainly fought in Europe.
- During this time, the world experienced economic, political instability and another miserable war.

• Wartime Transformations

- The first world war was fought between two power blocs.
- **On one were the allies - Britan, France, Russia and later joined the US. and on the opposite side - Germany, Austria, Hungary and Ottoman and Turkey. This war lasted for 4 years.**
- This war was thus the first modern industrial war. It saw the use of machine guns, tanks, aircraft, chemical weapons, etc. on a massive scale.
- To fight the war, millions of soldiers had to be recruited from around the world and moved to the frontlines on large ships and trains.
- **Most of the killed and maimed were men of working age.** These deaths and injuries reduced the able-bodied workforce in Europe.
- During the war, industries were restructured to produce war-related goods.
- Entire societies were also reorganised for war – as men went to battle, women stepped in to undertake jobs that earlier only men were expected to do.
- **The war led to the snapping of economic links between some of the world's largest economic powers** which were now fighting each other to pay for them.
- So Britain borrowed large sums of money from US banks as well as the US public.
- Thus the war transformed the US from being an international debtor to an international creditor.
- In other words, at the war's end, the US and its citizens owned more overseas assets than foreign governments and citizens owned in the US.

- **Post-war Recovery:**
  - Britain, which was the world's leading economy in the pre-war period, in particular faced a prolonged crisis.
  - After the war Britain found it difficult to recapture its earlier position of dominance in the Indian market, and to compete with Japan internationally.
  - To finance war expenditures Britain had borrowed liberally from the US. This meant that at the end of the war Britain was burdened with huge external debts.
  - **When the war boom ended, production contracted and unemployment increased.**
  - At the same time the government reduced bloated war expenditures to bring them into line with peacetime revenues.
  - These developments led to huge job losses – in 1921 one in every five British workers was out of work.
  - **Before the war, eastern Europe was a major supplier of wheat in the world market.**
  - When this supply was disrupted during the war, wheat production in Canada, America and Australia expanded dramatically.
  - But once the war was over, production in eastern Europe revived and created a glut in wheat output.
  - Grain prices fell, rural incomes declined, and farmers fell deeper into debt.

- **Rise of Mass Production and Consumption**
  - One important feature of the US economy of the 1920s was mass production.
  - **The move towards mass production had begun in the late nineteenth century, but in the 1920s it became a characteristic feature of industrial production in the US.**
  - **A well-known pioneer of mass production was the car manufacturer Henry Ford.**
  - He adapted the assembly line of a Chicago slaughterhouse (in which slaughtered animals were picked apart by butchers as they came down a conveyor belt) to his new car plant in Detroit.
  - He realised that the 'assembly line' method would allow a faster and cheaper way of producing vehicles.
  - The assembly line forced workers to repeat a single task mechanically and continuously such as fitting a particular part to the car – at a pace dictated by the conveyor belt.
  - This was a way of increasing the output per worker by speeding up the pace of work.
  - Standing in front of a conveyor belt no worker could afford to delay the motions, take a break, or even have a friendly word with a workmate.
  - As a result, **Henry Ford's cars came off the assembly line at three-minute intervals, a speed much faster than that achieved by previous methods. The T- Model Ford was the world's first mass-produced car.**
  - At first workers at the Ford factory were unable to cope with the stress of working on assembly lines in which they could not control the pace of work. So they quit in large numbers.
  - **In desperation Ford doubled the daily wage to $5 in January 1914.**
  - At the same time he banned trade unions from operating in his plants.

- Henry Ford recovered the high wage by repeatedly speeding up the production line and forcing workers to work ever harder.
- So much so, he would soon describe his decision to double the daily wage as the 'best cost-cutting decision' he had ever made.
- **Fordist industrial practices soon spread in the US. They were also widely copied in Europe in the 1920s.**
- Mass production lowered costs and prices of engineered goods.
- Thanks to higher wages, more workers could now afford to purchase durable consumer goods such as cars.
- **Car production in the US rose from 2 million in 1919 to more than 5 million in 1929.**
- Similarly, there was a spurt in the purchase of refrigerators, washing machines, radios, gramophone players, all through a system of 'hire purchase' (i.e., on credit repaid in weekly or monthly instalments).
- The demand for refrigerators, washing machines, etc. was also fueled by a boom in house construction and home ownership, financed once again by loans.
- **The housing and consumer boom of the 1920s created the basis of prosperity in the US.**
- Large investments in housing and household goods seemed to create a cycle of higher employment and incomes, rising consumption demand, more investment, and yet more employment and incomes.
- **In 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.
- All this, however, proved too good to last.
- **By 1929 the world would be plunged into a depression such as it had never experienced before.**

• The Great depression

- The depression was caused by a combination of several factors. We have already seen how fragile the post-war world economy was.
- **First:** agricultural overproduction remained a problem. This was made worse by falling agricultural prices.
- As prices slumped and agricultural incomes declined, farmers tried to expand production and bring a larger volume of produce to the market to maintain their overall income. This worsened the glut in the market, pushing down prices even further. Farm produce rotted for a lack of buyers.
- **Second:** in the mid-1920s, many countries financed their investments through loans from the US. While it was often extremely easy to raise loans in the US when the going was good, US overseas lenders panicked at the first sign of trouble.
- **In the first half of 1928, US overseas loans amounted to over $ 1 billion.**
- A year later it was one quarter of that amount.

- Countries that depended crucially on US loans now faced an acute crisis.
- The US attempt to protect its economy in the depression by doubling import duties also dealt another severe blow to world trade.
- **The US was also the industrial country most severely affected by the depression**.
- With the fall in prices and the prospect of a depression, US banks had also slashed domestic lending and called back loans.
- Farms could not sell their harvests, households were ruined, and businesses collapsed.
- Faced with falling incomes, many households in the US could not repay what they had borrowed, and were forced to give up their homes, cars and other consumer durables.
- Ultimately, the **US banking system itself collapsed.**
- Unable to recover investments, collect loans and repay depositors, thousands of banks went bankrupt and were forced to close.
- But the Great Depressions wider effects on society, politics and international relations, and on peoples' minds, proved more enduring.

- **India and the Great Depression:**
- In the nineteenth century, as you have seen, colonial India had become an exporter of agricultural goods and importer of manufactures.
- The depression immediately affected Indian trade.
- **India's exports and imports nearly halved between 1928 and 1934.**
- As international prices crashed, prices in India also plunged.
- **Between 1928 and 1934, wheat prices in India fell by 50 per cent.**
- Peasants and farmers suffered more than urban dwellers.
- Though agricultural prices fell sharply, the colonial government refused to reduce revenue demands.
- Peasants producing for the world market were the worst hit.
- Consider the jute producers of Bengal. They grew raw jute that was processed in factories for export in the form of gunny bags. But as gunny exports collapsed, the price of raw jute crashed more than 60 per cent.
- Peasants who borrowed in the hope of better times or to increase output in the hope of higher incomes faced ever lower prices, and fell deeper and deeper into debt.
- Thus, the Bengal jute growers' lament. In these depression years, India became an exporter of precious metals, notably gold.
- Rural India was thus seething with unrest when Mahatma Gandhi launched the civil disobedience movement at the height of the depression in 1931.
- **The depression proved less grim for urban India.** Because of falling prices, those with fixed incomes – say town-dwelling landowners who received rents and middle-class salaried employees – now found themselves better off.
- Everything cost less. Industrial investment also grew as the government extended tariff protection to industries, under the pressure of nationalist opinion.

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.**
- It was fought between the **Axis powers (mainly Nazi Germany, Japan and Italy) and the Allies (Britain, France, the Soviet Union and the US).**
- Once again death and destruction was enormous.
- Unlike in earlier wars, most of these deaths took place outside the battlefields.
- Many more civilians than soldiers died from war-related causes.
- Vast parts of Europe and Asia were devastated, and several cities were destroyed by aerial bombardment or relentless artillery attacks.
- **Two crucial influences shaped post-war reconstruction.**
- **The first was the US's emergence** as the dominant economic, political and military power in the Western world.
- **The second was the dominance of the Soviet Union**. It had made huge sacrifices to defeat Nazi Germany, and transformed itself from a backward agricultural country into a world power during the very years when the capitalist world was trapped in the Great Depression.

- **Post-war Settlement and the Bretton Woods Institutions:**
  - Economists and politicians drew two key lessons from inter-war economic experiences.
  - **First, an industrial society based on mass production cannot be sustained** without mass consumption. But to ensure mass consumption, there was a need for high and stable incomes.
  - Incomes could not be stable if employment was unstable. Thus stable incomes also required steady, full employment.
  - **The second lesson related to a country's economic links with the outside world.**
  - The goal of full employment could only be achieved if governments had power to control flows of goods, capital and labour.
  - In brief, the main aim of the post-war international economic system 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.**
  - **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 are referred to as the Bretton Woods institutions or sometimes the Bretton Woods twins.
  - The post-war international economic system is also often described as the Bretton Woods system.
  - **The IMF and the World Bank commenced financial operations in 1947.**
  - Decision-making in these institutions is controlled by the Western industrial powers.
  - **The US has an effective right of veto over key IMF and World Bank decisions.**
  - The international monetary system is the system linking national currencies and monetary system.
  - **The Bretton Woods system was based on fixed exchange rates.**
  - In this system, national currencies, for example the Indian rupee, were pegged to the dollar at a fixed exchange rate. The dollar itself was anchored to gold at a fixed price of $35 per ounce of gold.

- **The 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.
  - **World trade grew annually at over 8 per cent between 1950 and 1970 and incomes at nearly 5 per cent.**
  - Developing countries were in a hurry to catch up with the advanced industrial countries.

- **What are MNCs?**
  - Multinational corporations (MNCs) are large companies that operate in several countries at the same time.
  - **The first MNCs were established in the 1920s.**
  - Many more came up in the 1950s and 1960s as US businesses expanded worldwide and Western Europe and Japan also recovered to become powerful industrial economies.
  - The worldwide spread of MNCs was a notable feature of the 1950s and 1960s. This was partly because high import tariffs imposed by different governments forced MNCs to locate their manufacturing operations and become 'domestic producers' in as many countries as possible.
- **Decolonisation and Independence:**
  - When the Second World War ended, large parts of the world were still under European colonial rule.
  - **Over the next two decades most colonies in Asia and Africa emerged as free, independent nations.**
  - They were, however, overburdened by poverty and a lack of resources, and their economies and societies were handicapped by long periods of colonial rule.
  - **The IMF and the World Bank were designed to meet the financial needs of the industrial countries.**
  - They were not equipped to cope with the challenge of poverty and lack of development in the former colonies.
  - But as Europe and Japan rapidly rebuilt their economies, they grew less dependent on the IMF and the World Bank.
  - **Thus, from the late 1950s the Bretton Woods institutions began to shift their attention more towards developing countries.**
  - At the same time, most developing countries did not benefit from the fast growth the Western economies experienced in the 1950s and 1960s.
  - **Therefore, 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.

- **End of Bretton Woods and the Beginning of Globalisation**
  - Despite years of stable and rapid growth, not all was well in this post-war world.
  - **From the 1960s the rising costs of its overseas involvements weakened the US's finances and competitive strength.**
  - The US dollar now no longer commanded confidence as the world's principal currency. It could not maintain its value in relation to gold.
  - This eventually led to the collapse of the system of fixed exchange rates and the introduction of a system of floating exchange rates.
  - Earlier, developing countries could turn to international institutions for loans and development assistance.
  - But now they were forced to borrow from Western commercial banks and private lending institutions. This led to periodic debt crises in the developing world, and lower incomes and increased poverty, especially in Africa and Latin America.
  - **The industrial world was also hit by unemployment that began rising from the mid-1970s and remained high until the early 1990s.**
  - **From the late 1970s MNCs also began to shift production operations to low-wage Asian countries.**
  - **China had been cut off from the post-war world economy since its revolution in 1949.**
  - But new economic policies in China and the collapse of the Soviet Union and Soviet-style communism in Eastern Europe brought many countries back into the fold of the world economy.
  - The relocation of industry to low-wage countries stimulated world trade and capital flows.
  - In the last two decades the world's economic geography has been transformed as countries such as India, China and Brazil have undergone rapid economic transformation.

❖ **Glossary**
• Dissenter – One who refuses to accept established beliefs and practices. • Indentured labour – A bonded labourer under contract to work for an employer for a specific amount of time, to pay off his passage to a new country or home. • Tariff – Tax imposed on a country's imports from the rest of the world. Tariffs are levied at the point of entry, i.e., at the border or the airport. • Exchange rates – They link national currencies for purposes of international trade. There are broadly two kinds of exchange rates: fixed exchange rate and floating exchange rate. • Fixed exchange rates – When exchange rates are fixed and governments intervene to prevent movements in them. • Flexible or floating exchange rates – These rates fluctuate depending on demand and supply of currencies in foreign exchange markets, in principle without interference by governments.