

Notes

The Making of a Global World

CONTENT OUTLINE

In the context of modern and contemporary world, globalisation means the integration of economy of a country with the economies of other countries under condition of free movement or flow of goods, services, capital, labour and technology. The desire for global interconnectedness however existed even in the past and evolved to modern economy through various stages due to various factors and.

- (i) Establishment of silk routes by China connecting China with the west. Other routes followed enabling explorers, traders, missionaries to travel which led to interaction among countries.
- (ii) Discovery of sea routes to India and the Americas by European explorers in 15th century made the European nations wealthy and prosperous. These not only boosted trade but also laid foundation of a new economy involving many countries.
- (iii) Industrial development followed industrialisation, strengthened globalisation. Now avenues of communication and transportation like well laid roads, railways, steamships, telegraphs, etc., brought the countries nearer to each other. Industrialisation created new needs for these nations-need for market to sell the goods produced by machines and need for raw materials to feed the machines became primary factors. This gave rise to colonialism-a new economic pattern under which an imperial nation conquered far off land or territory to fulfil its economic needs. This also solved the problem of labour and need for investment of surplus capital. With the invention of steamships the whole process became simpler. The Economy of one country thus became interconnected with others. The tremor of crisis in one part of the world were quickly relayed to other part affecting the economy and society.
- (iv) However extreme rivalry among industrial nations for acquiring colonies led to the First World War in 1914. This affected the economy of all countries of the world. While European economy fell apart-US emerged as the richest country of the world. US supplied food, ammunition and other necessities to European countries. Industry boomed, agricultural production increased.
- (v) Very soon overproduction resulted in the Great Depression in 1929. This led to a setback in all economic relations.
- (vi) In 1939, the world faced the Second World War. This brought the world on the threshold of other changes in the economy. After the war, the equation of the powers changed. Many small countries which were colonies were now freed. The global economy that emerged is characterised by mass production for mass consumption. But Mass consumption is possible only if the people have economic stability. So full employment is the goal of all countries. Economists and politicians appeal to the government to step in to minimize fluctuations and uncertainties of economy. The developing countries formed the Group-77 and with the help of IMF and World Bank are trying to fit in the new economic pattern.