

SUB- UNIT-1.2

Livelihoods,
Economics
and Societies

CHAPTER

4

THE MAKING OF A GLOBAL WORLD

Syllabus

- *The Pre-modern World.*
- *The Nineteenth Century (global economy and colonialism).*
- *The Inter-war economy (Great Depression).*
- *Rebuilding the World Economy.*



TOPIC-1

The Pre-modern World and the Nineteenth Century (Global Economy and Colonialism)

Quick Review

- Globalisation' refers to an economic system that has emerged since the last 50 years.
- From ancient times, travellers, traders, priests and pilgrims travelled vast distances for knowledge, opportunity and spiritual fulfilment, or to escape persecution.
- The silk routes are a good example of pre-modern trade and cultural links between distant parts of the world.
- The name 'silk routes' points to the importance of West-bound Chinese silk cargoes along this route.
- Trade and cultural exchange always went hand in hand.
- Traders and travellers introduced new crops to the lands they travelled.
- 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.
- European sailors found a sea route to Asia and also successfully crossed the western ocean to America.
- Precious metals, particularly silver, from mines located in present day Peru and Mexico also enhanced Europe's wealth and financed its trade with Asia.
- The Portuguese and Spanish conquest and colonisation of America was decisively under way by the mid-sixteenth century.
- The most powerful weapon of the Spanish conquerors was the germs such as those of smallpox that they carried on their person.
- Due to their long isolation, America's original inhabitants had no immunity against these diseases that came from Europe. Smallpox in particular proved to be a deadly killer.
- Until the 19th century, poverty and hunger were common in Europe. Cities were crowded and deadly diseases were widespread.
- In the 18th century, China and India were among the world's richest countries. They were also pre-eminent in Asian trade.
- However, from the 15th 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.

TOPIC - 1

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TOPIC - 2

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- Europe now emerged as the centre of world trade.
- Economic, political, social, cultural and technological factors interacted in complex ways to transform societies and reshape external relations.
- Economists identify three types of movement or 'flows' within international economic exchanges.
 - The flow of trade
 - The flow of labour
 - The movement of capital
- Due to increase in population from the late 18th century, the demand for food grains in Britain had increased.
- Since there was 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'.
- After the Corn Laws were scrapped, food could be imported into Britain more cheaply than it could be produced within the country.
- Railways were needed to link the agricultural regions to the ports.
- New harbours had to be built and people had to settle on the lands which 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 19th century in search of a better future.
- By 1890, a global agricultural economy had taken shape.
- The British Indian Government built a network of irrigation canals to transform semi-desert wastes into fertile agricultural lands that could grow wheat and cotton for export.
- The railways, steamships, the telegraph were important inventions without which we cannot imagine the transformed nineteenth-century world.
- Colonisation stimulated new investments and improvements in transport.
- The trade in meat offers a good example of this connected process. Till the 1870s, animals were shipped live from America to Europe and then slaughtered when they arrived there.
- Meat was hence an expensive luxury beyond the reach of the European poor.
- Better living conditions promoted social peace within the country and support for imperialism abroad.
- Trade flourished and markets expanded in the late nineteenth century.
- Britain and France made vast additions to their overseas territories in the late nineteenth century. Belgium and Germany became new colonial powers.
- In the 1880s, a fast-spreading disease of cattle plague or rinderpest had a terrifying impact on the African local economy. 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'. The loss of cattle destroyed African livelihoods.
- In the late 19th century, Europeans were attracted to Africa due to its vast resources of land and minerals. But there was 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.
- In the 19th 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 bonded labourers who were transferable to any countries on contract for a specific amount of wage and time. Most of the labourers were from Uttar Pradesh, Bihar, Central India and certain districts of Tamil Nadu.
- The main destinations of Indian indentured migrants were the Caribbean islands (mainly Trinidad, Guyana and Surinam), Mauritius and Fiji.
- The 19th century indenture has been described as a 'new system of slavery'.
- From the 1900s India's nationalist leaders began opposing the system of indentured labour migration as abusive and cruel. It was abolished in 1921.
- Shikaripuri Shroffs and Nattukottai Chettiers were amongst the many groups of bankers and traders who financed export agriculture in Central and Southeast Asia.
- Indian traders and moneylenders also followed European colonizers into Africa.
- With the advent of 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.

- Indigo used for dyeing cloth was another important export for many decades. British manufactures flooded the Indian market.
- 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 to.

Know the Terms

- **Globalisation** : Globalisation is generally associated with economy as the free movement of capital, goods, technology, ideas and people across the globe. Globalisation in a broader sense also includes cultural exchanges between different countries of the world.
- **Silk Route** : The route taken by traders to carry silk cargoes from China to the West, which affected cultures of China, Central Asia and the West.
- **Cowrie** : A Hindi word meaning 'sea shells'. These were used in ancient world as a form of currency.
- **Coolies** : Indian indentured labourers were referred to as coolies in the Caribbean islands.
- **Corn Laws** : British laws which imposed restrictions on the import of corn.
- **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.

Know the Dates

- **3000 BCE** : An active coastal trade linked the Indus Valley Civilization with present day West Asia.
- **BCE - 15th Century** : Existence of silk routes.
- **Mid Sixteenth Century** : Portuguese and Spanish conquest and colonisation of America.
- **1845 - 1849** : Potato Famine in Ireland. During this famine around 1,000,000 people died of starvation in Ireland.
- **1885** : The big European powers met in Berlin to complete the division of Africa between themselves.
- **1890** : Global agricultural economy took shape.
- **1890s** : Rinderpest (cattle plague) had a terrifying impact on livelihoods of the African people and the local economy.
- **1892** : Rinderpest reached Africa's Atlantic coast.
- **1900s** : Indian nationalist leaders began opposing the system of indentured labour migration as abusive and cruel.
- **1914-1918** : The First World War was fought.
- **1921** : Indentured labour was abolished.

Know the Links

- The Irish Potato Famine
<http://irishpotatofamine.net/>
- Rinderpest in Africa
<http://www.nda.agric.za>
- Indentured Labour
<http://www.nationalarchives.gov.uk>



Very Short Answer Type Questions

(1 mark each)

Q. 1. What does 'Silk Route' refer to?

Ans. Network of routes connecting Asia with Europe and Northern Africa. **1**

Q. 2. Who discovered the continent of America?

Ans. On October 12, 1492, the Italian explorer Christopher Columbus officially set foot in the America, and claimed the land for Spain. **1**

Q. 3. Who was a well-known pioneer of mass production?

Ans. Henry Ford. **1**

Q. 4. Identify the group of the countries, which was known as Axis powers during the Second World War?

Ans. Nazi Germany, Japan and Italy. **1**

Q. 5. How did Rinderpest reach Africa?

Ans. 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. 1

A Q. 6. Which country has an effective right of VETO over IMF and World Bank?

Ans. USA. 1

A Q. 7. Which crop was not known to our ancestors until about five centuries ago?

Ans. Potato. 1

U Q. 8. What do we call the law that allowed the British Government to restrict the import of corn?

Ans. Corn Laws. 1

A Q. 9. Till the discovery of which place potatoes were not known to people in Asia and Europe?

Ans. America. 1

A Q. 10. What was the most powerful weapon used by the Spanish to conquer America?

Ans. The Spanish & Portuguese were the first Europeans to conquer America in mid-16th century. The conquest was not just a result of superior firepower or military power. It was also due to the germs of diseases like smallpox which they took with them. 1



Short Answer Type Questions

(3 marks each)

U Q. 1. What were the 'Corn Laws'? How was it abolished? [Board Term-I, Set (WQ7FXWC) 2014]

OR

A What were the Corn Laws? Why were the Corn Laws abolished? What was the result of the abolishing the Laws? (NCERT)

Ans. (i) The laws allowing the British Government to restrict import of corn is known as the "Corn Laws".

(ii) These laws were abolished because the industrialists and urban dwellers were unhappy with high food prices; as a result of which they forced the abolition of the Corn Laws.

Result : Food could be imported into Britain at a much cheaper rate. 1×3=3

A Q. 2. Mention any three effects of the British Government's decision for the abolition of the Corn Laws.

[Board Term-I, Set (NLTM8TU) 2016-17]

Ans. (i) Food could be imported into Britain at much cheaper rate than it would be produced within the country.

(ii) British agriculture was unable to compete with imports. Vast areas of land were left uncultivated and people started migrating to cities or other countries.

(iii) As food prices fell, consumption in Britain rose. Faster industrial growth in Britain also led to higher incomes and therefore more food imports.

(iv) Around the world—in Eastern Europe, Russia, America and Australia—lands were cleared and food production expanded to meet the British demand.

**(Any three) 1 × 3 = 3
(CBSE Marking Scheme, 2016)]**

U Q. 3. Describe the effects of abolishing the 'Corn Laws'. [Board Term-I, KVS-2014]

OR

U Explain three far reaching effects of the abolition of the Corn Laws.

[Board Term-I, 2012 Set (37), 2011 Set (15)]

Ans. (i) Britain began to import food grains from rest of the world. British agriculture was unable to compete with imports.

(ii) Vast areas of land were now left uncultivated.

(iii) Thousands of men and women were thrown out of work. They started migrating to cities.

(iv) Food prices fell and consumption in Britain rose.

(v) Other countries : Russia, America and Australia sent food grains to meet the British demand.

(vi) They required railways to link the ports.

(Any three) 1×3=3

(CBSE Marking Scheme, 2012)]

A Q. 4. Why did the industrialists and people living in cities of Britain forced the government to abolish Corn Laws in the 18th Century? Give two reasons.

Ans. (i) Population growth from the late 18th century had increased the demand for food grains in Britain pushing up the prices. Under pressure from farmers, the government restricted the import of corn. These laws were commonly known as the 'Corn Laws'.

(ii) On the other hand, the industrialists and people living in cities forced the government to abolish the Corn Laws. 1½ × 2 = 3

(CBSE Marking Scheme, 2016)]

U Q. 5. What is meant by 'Trade Surplus'? Why did Britain have a Trade Surplus with India?

Ans. A Trade Surplus is an economic measure of a positive balance of trade, where a country's exports exceed its imports.

Over the 19th century, British manufacturers flooded the Indian market. Food grains 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. 1+2=3

U Q. 6. "Trade flourished and markets expanded in the 19th century, but there was a darker side to process." Justify the statement.

[Board Term-I, 2015]

Ans. (i) In many parts of the world, these developments meant loss of freedom and livelihoods.

- (ii) Late 19th century Europeans conquest brought about many destructive economic, social and ecological changes in the colonies.
- (iii) 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.
- (iv) The example of indentured labour migration from India illustrates that it was a world of faster economic growth for some and great misery and poverty for others; technological advances in Europe and new forms of coercion in Asia and Africa. (Any three) $1 \times 3 = 3$

U Q. 7. "Food offer many examples of long distance cultural exchange." Justify this statement.

OR

U In what ways did food items offer scope for long distance cultural exchange? Explain.

[Board Term-I, (CB4QHT1) 2016-17]

- Ans. (i)** Traders and travellers introduced new crops to the lands they travelled.
- (ii) It is believed that noodles travelled west from China to become spaghetti.
 - (iii) Arabs traders took pasta to 5th century Sicily, an island now in Italy.
 - (iv) Many of our common foods such as potatoes, soya, groundnuts, maize tomatoes, chillies, sweet potatoes and so on were not known to our ancestors. (CBSE Marking Scheme, 2016)
- $1 \times 3 = 3$ (Any three)

U Q. 8. Explain the three types of flows within international economy in exchanges.

[Board Term-I, DDE-2014]

OR

U Mention the three types of flows within international economic exchanges during the 19th century. [Board Term-I, (36) 2012]

- Ans. (i) Flow of Trade :** Trade in goods, e.g., cloth or wheat, giving shape to a global agricultural economy where food no longer came from a nearby village or town, but from thousands of miles away.
- (ii) Flow of Labour :** The migration of people in search of employment is called 'Flow of Labour'. Nearly 50 million people emigrated from Europe to America and Australia in the 19th 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.
- (iii) Flow of Capital Investment :** Long-term or short-term Investments over long distances is called flow of capital investment. Capital flowed from financial centres such as London to build railways and other buildings. $1 \times 3 = 3$
- (CBSE Marking Scheme, 2012)

A Q. 9. Explain the three impacts of the First World War on the British economy.

[Board Term-I, DDE-2015]

OR

A Explain the impact of the First World War on the British economy.

[Board Term-I, (OEQL2ST) 2016-17]

Ans. (i) After the war, Britain found it difficult to recapture its earlier position of dominance in the colonial market.

- (ii) To finance war expenditures, Britain had borrowed from the U.S. At the end of the war Britain was burdened with huge external debts.
- (iii) The war had led to a huge increase in demand, production and employment.
- (iv) The government reduced bloated war expenditures to bring them into line with peace time revenues.
- (v) These developments led to huge job losses. In 1921, one in every five British worker was out of work. (Any three points) $1 \times 3 = 3$

(CBSE Marking Scheme, 2016)

U Q. 10. The First World War was a war like no other before. Explain any three features about the war that supports the statement.

[Board Term-I, (50), 2012]

- Ans. (i)** It involved the world's leading Industrial nations.
- (ii) This war was the first modern industrial war. Machine guns, tanks, aircrafts, chemical weapons, were used on a massive scale.
 - (iii) Most of those who were maimed were men of working age. The scale of death and destruction was great. These deaths and injuries reduced the workforce.
 - (iv) Industries during the war were restructured to produce war-related products.
 - (v) The war led to the snapping of economic links between the world's largest economic powers which were now fighting with each other to pay for them. The war transformed the US from being an international debtor to an international creditor. (Any three) $1 \times 3 = 3$

U Q. 11. Explain the effect of the death of men of working age in Europe because of the First World War?

- Ans. (i)** Majority of the people killed in the First World War were the men of working age. It reduced able bodied workforce in Europe.
- (ii) With fewer members within the family, household incomes declined.
 - (iii) Women stepped in to undertake jobs that earlier only men were expected to do. $1 \times 3 = 3$

A Q. 12. Describe three major consequences of Second World War. [Board Term-I, 553K, 2013]

Ans. Major consequences of the Second World War are as follows :

- (i) Death and destruction were enormous. At least 60 million of the people or about 3 percent of the world's 1939 population are believed to have been killed directly or indirectly as the result of war.

- (ii) Millions more were injured. Unlike in earlier wars, most of these deaths took place outside the battlefield. Many more civilians than soldiers died from war-related causes.
- (iii) Vast parts of Europe and Asia were devastated and several cities were destroyed by aerial bombardment or relentless artillery attacks.
- (iv) The war caused an immense amount of economic devastation and social destruction. Reconstruction promised to be long and difficult.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2013)

Q. 13. What attracted the Europeans to Africa? Give any three reasons.

[Board Term-I, (R9UJGYG), (X30T4XE), (55) 2012, 2014]

OR

Q. Why were Europeans attracted to Africa in the late 19th century? Mention any three reasons.

[Board Term-I, (A1) 2011, 2010]

- Ans.** (i) Europeans were attracted due to the resources of land and minerals of Africa.
- (ii) They came to Africa to establish plantations and exploit mines.
- (iii) African countries were militarily weak and backward. So, it was easy to conquer them. $1 \times 3 = 3$

Q. 14. How did Rinderpest become instrumental in subjugating the Africans? (NCERT)

[Board Term-I, DDE-2014]

- Ans.** (i) The loss of 90% of the cattle destroyed African livelihoods.
- (ii) Planters, mine owners and colonial governments now successfully monopolised what scarce cattle resources remained, to strengthen their power and forced Africans into the labour market.
- (iii) Control over the scarce resource of cattle enabled European colonisers to conquer and subdue Africa.

$1 \times 3 = 3$

Q. 15. "19th century indenture had been described as a new system of slavery." Explain the statement briefly. [Board Term-I, (R9UJGYG) 2014]

Ans. New system of slavery:

- (i) Agents tempted the poor people by giving false information about the nature of work, final destinations, living and working conditions, modes of travel, etc.
- (ii) Less willing workers were at times forcibly abducted by the agents.
- (iii) On arrival at the plantations, when labourers found conditions to be different, many of them escaped into the wilds while others developed new forms of individual and collective self expression. $1 \times 3 = 3$

Q. 16. Write any three factors responsible for indentured labour migration from India.

[Board Term-I, NCT-2014, 2010 (C2)]

Ans. Factors responsible for indentured labour migration from India :

- (i) In the mid-19th century, cottage industries declined, land rents rose, lands were cleared for mines and plantations.

This affected poor people because they were highly indebted and forced to migrate for work.

- (ii) **Temptation:** As the agents provided false information about final destinations, nature of work and living and working conditions, many poor people were tempted to go and work.
- (iii) In order to escape poverty or oppression at home and in villages many migrants agreed to work.

$1 \times 3 = 3$

Q. 17. State three reasons why Europeans fled to America in the 19th century.

[Board Term-I, (BHTK) 2011 (42), 2010 (B1) 2013]

Ans. Europeans fled to America in the 19th century because :

- (i) Until the 19th century, power and hunger were common in Europe.
- (ii) Cities were crowded and deadly diseases were widespread.
- (iii) Religious conflicts were common and religious dissenters were persecuted.
- (iv) In America, plantations were growing cotton and sugar for the European market. These plantations were worked on by slaves.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2013)

Q. 18. How did Henry Ford revolutionize mass production in the U.S. ? [Board Term-I, 2012]

Ans. (i) Henry Ford adapted the assembly line of a Chicago slaughter house to his new car plant in Detroit.

- (ii) The assembly line allowed a faster and cheaper way of producing vehicles. It forced workers to repeat a single task mechanically and continuously.
- (iii) This increased their efficiency in the single task and the speed of production too.
- (iv) Standing in front of the conveyor belt, no worker could delay the motions or take a break.
- (v) In the beginning many workers quit, since they could not cope up with the stress of work.
- (vi) Henry Ford doubled their wages and against that, he not only increased the speed of the production time but also banned trade unions from operating in his plants.

(Any three) $1 \times 3 = 3$

Q. 19. Give three examples to show that the pre-modern world changed with the discovery of new sea routes to America. [Board Term-I, (40) 2012]

Ans. Three examples are as follows :

- (i) Many common foods, e.g., potatoes, soya, tomatoes, maize, etc., were introduced to Europe from America. These crops made a difference between life and death. The poor began to eat better and live longer in England with the introduction of potatoes.
- (ii) Religious dissenters from Europe fled due to the fear of persecution in Europe and migrated to America.
- (iii) Slave trade was started. European traders captured slaves in Africa and took them to America where they worked on plantations. Europe became the centre of the world trade.

- (iv) Precious metals, *e.g.*, silver from mines located in present day Peru and Mexico also enhanced Europe's wealth and financed its trade.

(Any three) $1 \times 3 = 3$
(CBSE Marking Scheme, 2012]

Q. 20. Why did European employers find it difficult to recruit labour in Africa? Give two methods they used to recruit and retain labour.

Ans. (i) The Europeans found it difficult to recruit labour in Africa because of shortage of labour willing to work for wages and due to plenty of land and livestock which were available for Africans.

(ii) Two methods used by the Europeans to recruit and retain labour were :

- (a) Heavy taxes were imposed which could be paid only by working for wages on plantations and mines.
(b) Inheritance laws were changed so that peasants were displaced from land. $1 \times 3 = 3$

Q. 21. How did the global transfer of disease in the pre-modern world help in the colonization of the Americans? (NCERT)

Ans. (i) America was not conquered and colonized by Europeans with the help of superior fire power alone.

(ii) Germs, such as those of small pox were a helpful to a great extent.

(iii) Americans had no immunity against them as a result of long isolation. Once introduced, the germs

spread deep into the continent decimating whole communities and paving way for conquest. $1 \times 3 = 3$

Q. 22. What role did technology play in shaping the nineteenth century world?

Ans. (i) Important inventions such as railways and steamships boosted the economic growth in 19th century.

(ii) Colonization stimulated new investments and improvements in transport.

(iii) Faster railways, lighter wagons and larger ships helped to move food more cheaply and quickly from far away farms to final markets. $1 \times 3 = 3$

Q. 23. What role did silk route play between Chinese and the Romans?

Ans. The Romans learned about the silk route from the Parthians around 53 B.C.E. They used the word "Seres" or the silk people to refer to the Chinese. Though there was no direct evidence of any Roman merchants or Chinese in both the civilisations, silk was most coveted in Rome. Roman items were popular in China too. 3

Q. 24. What is globalisation? Explain.

Ans. Globalisation is generally associated with economy as the free movement of capital, goods, technology, ideas and people across the globe. Globalisation in a broader sense also includes cultural exchanges between different countries of the world. In modern world, globalisation has acquired special significance due to development of Internet technology and tele-communication. 3

Long Answer Type Questions

(5 marks each)

Q. 1. What is the meaning of 'cultural fusion'? Give two examples how indentured labour system led to cultural fusion. [Board Term-I, (38) 2012]

OR

"The indentured labour gave rise to a new culture in the Caribbean islands." Justify this statement with suitable examples. [Board Term-I, (A1) 2010]

Ans. (i) Cultural fusion is a phenomenon which emerges when two or more cultures inter-mingle and produce a new culture.

(ii) Indentured labourers used to live and work in very harsh conditions. This forced them to seek new avenues of comfort and relaxations. This blended different cultural forms.

(iii) Examples,

(a) Hosay: In Trinidad, the annual Muharram procession was transformed into a riotous carnival called 'Hosay' in which workers of all races and religions joined.

(b) Chutney Music: 'Chutney music' is another creative contemporary expression of the post indentured experience.

(c) Rastafarianism: The protest religion of 'Rastafarianism' is also said to reflect social and cultural links with Indian migrants to the Caribbean. (Any two) $2\frac{1}{2} + 2\frac{1}{2} = 5$

(CBSE Marking Scheme, 2012]

Q. 2. Explain any three characteristics of the Silk Routes. (Board Term-I, (17) (39) 2012, 2011]

OR

Enumerate the importance of Silk Routes.

[Board Term-I, (17) 2011, (A1) 2010]

Ans. (i) The silk routes are a good example of vibrant pre-modern trade and cultural links between distant parts of the world.

(ii) They were spread over land and sea knitting together vast regions of Asia and linking with Europe and Africa.

(iii) They existed since before the Christian Era and thrived almost till the 15th century.

(iv) Chinese pottery, textiles and spices from India travelled to Europe.

(v) In return, precious metals, gold and silver flowed from Europe to Asia.

- (vi) Buddhism, Christian missionaries, Muslim preachers also travelled through this route to Asia. (Any five) $1 \times 5 = 5$
(CBSE Marking Scheme, 2012)

Q. 3. Define the term "Trade Surplus". How was the income received from trade surplus with India used by Britain?

Ans. Trade Surplus : It is a situation in which the total value of exports of a nation during the year exceeds the total value of imports.

- Over the 19th century, British manufacturers flooded Indian market. Food grains and raw material exports from India to Britain and the rest of world also increased.
- Value of British exports to India were higher than imports from India.
- Britain, as such had "Trade surplus" with India. Britain used this surplus to balance trade deficit with other countries.
- This is how a multilateral settlement system works that allows one country's deficit with another country to be settled by its surplus with a third country.
- India played a crucial role in helping Britain to balance its deficits. Britain's trade surplus in India helped paying the home charges that included private remittances home by British officials and traders. $1 \times 5 = 5$

Q. 4. What were the Corn Laws? Why were these laws abolished? How abolition of the Corn Laws affect the people in England? [Board Term-I, NCT-2014]
OR

What were the 'Corn Laws'? How did the abolition of 'Corn Laws' affect the people of England?

Ans. The Corn Laws were tariffs and restrictions on imported food and grain ("corn") enforced in Great Britain between 1815 and 1846.

These laws were abolished because the industrialists and urban dwellers were unhappy with high food prices; as a result of which they forced the abolition of the Corn Laws.

Result : The immediate effect of the British government's decision to abolish the Corn Laws was the inflow of cheaper agricultural crops from America and Australia. Many English farmers left their profession and migrated to towns and cities. Some went overseas. This indirectly led to global agriculture and rapid urbanisation, a prerequisite of industrial growth. $2 + 3 = 5$

Q. 5. Explain how did the abolition of Corn Laws in Britain led to the emergence of a global agricultural economy?

- Ans.**
- With scrapping of the Corn Laws, Britain began to import foodgrains from rest of the world. These products were relatively cheaper than the prices of the British produced goods and foodgrains.
 - Britain was forced to import foodgrains from Eastern Europe, America and Australia.
 - There were complex changes in labour movement patterns, capital flow, ecology and technology.

- Crops were not grown by a peasant tilling his own land, but by an agricultural worker.
- Food came from thousands of miles away.
- Now food and other essential commodities were transported by railways and by ships manned by low paid workers from South Europe, Asia, Africa and Caribbean. (Any five) $1 \times 5 = 5$

Q. 6. What was Rinderpest? How did it adversely affect the lives and fortunes of the Africans?

[Board Term-I, (38), 2012]

OR

What was Rinderpest? How did Rinderpest change the economy of the African Society?

OR

Describe briefly the effects of Rinderpest in Africa in the 1890s.

Ans. Rinderpest was the fast spreading and devastating disease of cattle plague.

Effects of Rinderpest :

It affected the Africans in following ways:

- Rinderpest moved like forest fire.
- 90% of cattle were killed.
- The loss of cattle destroyed African livelihoods. Earlier people rarely worked for a wage. They possessed land and livestock. Due to Rinderpest, they were forced to work for wages and so it affected the economy.
- Colonial government forced the Africans into labour market. $1 + 4 = 5$

(CBSE Marking Scheme, 2012)

Q. 7. Critically examine the expansion of trade facilities in the 19th century.

[Board Term-I, (6HTQGTF), 2016-17]

Ans. Expansion of trade facilities in the 19th century :

- In many parts of the world, these developments meant loss of freedom and livelihoods.
- Late 19th century Europeans conquest brought about many destructive economic, social and ecological changes in the colonies.
- 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.
- The example of indentured labour migration.
- Great misery and poverty for others.
- New forms of coercion in Asia and Africa.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2016)

Q. 8. "Trade and cultural exchange always went hand in hand". Explain the statement in the light of silk route.

[Board Term-I, (CB4QHT1), 2016-17]

[Board Term-I, (WQ7FXWC), (R9UJGYG) 2014]

- Ans. (i)** The silk routes are a good example of vibrant pre-modern trade and cultural links between distant parts of the world.
- (ii)** The name 'silk routes' points to the importance of west-bound Chinese silk cargoes along this route.
- (iii)** Precious metals—gold and silver, etc., flowed from Europe to Asia. Chinese potteries, textiles from China and spices from India were traded.
- (iv)** Various food items offer very good examples of long distance cultural exchanges.
- (v)** Christian missionaries, Muslim preachers and Buddhist monks travelled through this route.

1×5=5

(CBSE Marking Scheme, 2016)

[A] Q. 9. Explain the three types of movement or flows within international economic exchange. Mention any one example of any one type of flow from India and one from England.

[Board Term I, (48) KVS-2014, 2012]

- Ans. (i)** The first movement is the flow of trade of goods.
- (ii)** The second movement is the flow of people migrating in search of employment.
- (iii)** The third movement is the flow of capital in terms of short-term and long-term investments done overseas.
- (iv)** Flow of goods and capital was smoother than the flow of people. All three were benefitted by the exchange of ideas.

India : Migration of indentured labourers; trade of cotton textile. (Any one).

Europe : Selling of Manchester goods in India.

4+1=5

(CBSE Marking Scheme, 2012)

[A] Q. 10. After 19th century, how did the indentured labourers discover their own ways of survival? Explain. [Board Term I, (NLT8TU), 2016-17]

- Ans. (i)** Initially the indentured labourers found it difficult to adjust to the harsh living conditions of the plantation. But very soon they discovered new ways of survival.
- (ii)** They developed new forms of individual and collective self expression, blended art, cultural forms, old and new.
- (iii)** In Trinidad the cultural Muharram procession was transformed into a riotous carnival called 'Hosay' in which workers of all races and religions joined.
- (iv)** The protest religion 'Rastafarianism' is also said to reflect social and cultural links with Indian migrants to Caribbean.
- (v)** Chutney music popular in Trinidad and Guyana is another creative expression of the post indenture experience.

1 × 5 = 5

(CBSE Marking Scheme, 2016)

[A] Q. 11. Why have the historians described the 19th century indenture as new system slavery? Explain five reasons. [Board Term-I, 553K, 2012 (35), 2013]

Ans. Indentured labour was described as a new system of slavery because :

- (i)** Agents tempted the poor people by giving false information about the nature of work, living and working conditions, final destinations modes of travel, etc.
- (ii)** Less willing workers were at time forcibly abducted by the agents.
- (iii)** On the plantation, the working conditions were harsh and they had a few legal rights.
- (iv)** They were beaten or imprisoned for not being able to meet tasks that used to be very heavy or for running away from the job.
- (v)** Normal medical attention was given to them and wages were deducted in case of absence at work or failure to fulfill the task.

1×5=5

(CBSE Marking Scheme, 2013)

[U] Q. 12. What were the main features of the First World War? [Board Term-I, NCT-2014]

Ans. The main features of the First World War are as follows :

- (i)** The First World War (1914-18) was mainly fought in Europe. But its impact was felt around the world.
- (ii)** It was fought between two power blocs —the Allies (Britain, France and Russia) and the Central Powers (Germany, Austria - Hungary and Ottoman Turkey).
- (iii)** It lasted for more than four years.
- (iv)** It was the first modern industrial war as it saw the use of machine guns, tanks, aircraft, chemical weapons, etc., on a large scale.
- (v)** To fight the war, millions of soldiers had to be recruited from around the world and most of them were men of working age.
- (vi)** During the war, 9 million people were dead and 20 million were injured.
- (vii)** These death and injuries reduced the able-bodied workforce in Europe.
- (viii)** Industries were restructured to produce war-related goods.

(Any five) 1×5=5

[A] Q. 13. Describe in brief the economic conditions of the post First World War period.

[Board Term-I, (BHTK), 2013]

Ans. Post First World War period economic conditions :

- (i)** Britain which was world's leading economy in the pre-war period faced a prolonged crisis.
- (ii)** Indian and Japanese industries were developed as Britain was occupied with war.

- (iii) After the war, it was difficult for Britain to recapture its earlier position in the Indian market.
- (iv) Britain was burdened with huge external debts from the US.
- (v) Government reduced bloated war expenditure. This led to huge job losses and unemployment.
- (vi) Grain prices witnessed a steep fall as wheat supply was disrupted during the First World War.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2013)

[A] Q. 14. Mention the two key lessons learnt from the inter-war economic experiences by the economists and politicians after the Second World War.

[Board Term-I, (34) 2012]

Ans. The two lessons learnt by the economists and politicians during the Second World War were :

First : An industrial society based on mass production needs mass consumption. For mass consumption, steady income was necessary and for stable income, full employment was necessary. For this, the government has to take step to minimise the fluctuation of price, production and employment. Hence, economic stability could be ensured by the government intervention.

Second : The goal of full employment could be achieved only if the government controls the flow of goods, capital and labour. $2\frac{1}{2} + 2\frac{1}{2} = 5$

(CBSE Marking Scheme, 2012)

[U] Q. 15. Explain the destruction caused during the Second World War. Mention two crucial influences which shaped post-war reconstruction.

[Board Term-I, (39) 2012]

Ans. (i) Unlike earlier wars, most of the deaths took place outside the battlefields.

(ii) More civilians than soldiers died from war.

(iii) Vast parts of Asia and Europe were devastated.

(iv) Cities were destroyed.

(v) There was immense amount of economic devastation.

Two crucial influences :

First : U.S's emergence as military power in the western world.

Second : Dominance of the Soviet Union. $3 + 2 = 5$

(CBSE Marking Scheme, 2012)

[A] Q. 16. Explain the effects of the Great Depression of 1929 on the Indian economy.

[Board Term-I, (WQ7FXWC), 2014]

OR

[A] How did the Great Depression of 1929 affect the farmers and the middle classes in India in different ways?

[Board Term-I, (34, 37), DDE-2014, 2012]

Ans. (i) The impact of the Great Depression in India was felt especially in the agricultural sector.

(ii) As international prices crashed, prices in India also plunged.

(iii) The fall in agricultural price led to reduction of farmers' income and agricultural export. Wheat prices in India fell by 50 percent.

(iv) Peasants and farmers suffered more than urban dwellers.

(v) The colonial government refused to reduce revenue demands.

(vi) The government did not decrease their tax and so, many farmers and landlords became more indebted to moneylenders and corrupt officials.

(vii) They used up their savings and sold jewellery and precious metals. The Great Depression helped the urban people especially the fixed income earners.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2012)

[A] Q. 17. Explain why economy of USA was strong in the early 1920s? Would you agree that the roots of the Great Depression lay in the 'boom'? Give reasons for your answer.

Ans. (i) Mass production became a characteristic feature of industrial production in the USA.

(ii) Mass production lowered costs and prices of engineered goods.

(iii) There was a spurt in the purchase of refrigerators, washing machines, etc., through hire purchase.

(iv) It was fuelled by a boom in house construction and home ownership, financed once again by loans.

Yes, the roots of the Great Depression lie in this boom because of the overproduction in industrial and agricultural sector.

$4 + 1 = 5$

[A] Q. 18. Describe the social and economic effects of the World War on England and USA.

[Board Term I, (4) 2012]

Ans. Social Effects :

(i) Most of the killed and maimed people were of the working age and this affected the work force in England.

(ii) Household income declined and women stepped in to take up jobs.

(iii) Role and position of women changed forever in England.

Economic Effects :

(i) Economic links between some of the major economic powers of the world were snapped.

(ii) England borrowed large sums of money from the US Banks.

(iii) USA emerged as an international creditor.

(iv) USA owned more assets in foreign countries than foreign countries owned in the USA.

(Any three) $3 + 2 = 5$

(CBSE Marking Scheme, 2012)

Q. 19. How did the use of technology transform food availability in Europe?

[Board Term-I, (46), 2012]
OR

What was the impact of technology on food availability? Explain with the help of examples.
(NCERT)

- Ans.** (i) Faster railways, lighter wagons and larger ships helped food to reach more cheaply and quickly from far away farms to markets.
- (ii) Earlier the animals were shipped live from America to Europe, many died on the way or became unfit to eat. Thus meat became expensive.
- (iii) **Refrigerated ships** : The animals could be slaughtered at the starting point of America, Australia or New Zealand and transported to Europe as frozen meat.

(iv) This reduced the shipping cost and lowered prices in Europe.

(v) The poor could add variety to their food and it improved their living condition. $1 \times 5 = 5$

(CBSE Marking Scheme, 2012)

Q. 20. The 19th century world of faster economic growth still brought misery for many. Explain.

- Ans.** (i) Hundreds and thousands of Indians and Chinese went to work on plantations, mines, railways, etc.
- (ii) Indentured labourers were forced to sign contracts restricting travel to their homes for five years.
- (iii) As a result, cottage industry declined and land rents rose. Land and forest were cleared for mines and plantations.
- (iv) Increased indebtedness among poor became prevalent.
- (v) Living and working conditions for the indentured labour was harsh and with few legal rights.

$1 \times 5 = 5$



TOPIC-2

The Inter-war and Post War Economy

Quick Review

- The First World War (1914-18) was mainly fought in Europe but its impact was felt around the world due to widespread economic and political instability.
- 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.
- Most of the killed and maimed were men of working age and these deaths and injuries reduced the able-bodied workforce in Europe.
- Britain borrowed large sums of money from the US banks as well as the US public which transformed the US from being an international debtor to an international creditor.
- Britain was the world's leading economy in the pre-war period but had to face a prolonged crisis. In the meanwhile industries had developed in India and Japan.
- After the war Britain found it difficult to recapture its earlier position of dominance in the Indian market, and to compete with Japan internationally.
- The war had led to an economic boom, that is, to a large increase in demand, production and employment.
- Before the war, Eastern Europe was a major supplier of wheat in the world market but during the war its supply disrupted and wheat production in Canada, America and Australia expanded immensely.
- But after the war, production in Eastern Europe revived and created a glut in wheat output. Grain prices fell, rural incomes declined, and farmers fell deeper into debt.
- One important feature of the US economy of the 1920s was mass production. A well-known pioneer of mass production was the car manufacturer Henry Ford.
- The T-Model Ford was the world's first mass-produced car.
- Mass production lowered costs and prices of engineered goods and there was an increase in the purchase of refrigerators, washing machines, radios, gramophone players, all through a system of 'hire purchase'.

- 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.
- By 1929 the world plunged into a depression called -The Great Depression of 1929.
- During this period most part of the world experienced catastrophic declines in production, employment, incomes and trade.
- The depression was caused by a combination of several facts of agricultural overproduction.
- Many countries financed their investments through loans from the US. The withdrawal of the US loans affected much of the rest of the world.
- With the fall in prices and the prospect of a depression the US banks had also slashed domestic lending and called back loans.
- The Great Depression's wider effects on society, politics and international relations, and on peoples' minds, proved more enduring.
- Since colonial India had become an exporter of agricultural goods and importer of manufactures, the depression immediately affected Indian trade.
- Peasants and farmers suffered more than urban dwellers because though agricultural prices fell sharply, the colonial government refused to reduce revenue demands.
- This resulted in the increase of indebtedness of the Indian peasants who used up their savings, mortgaged lands, and sold whatever jewellery and precious metals they had to meet their expenses.
- The famous economist John Maynard Keynes thought that Indian gold exports promoted global economic recovery.
- The Second World War broke out merely after two decades of the First World War and brought enormous death and destruction.
- It was fought between the Axis powers (mainly Nazi Germany, Japan and Italy) and the Allies (Britain, France, the Soviet Union and the US).
- The war caused an immense amount of economic devastation and social disruption.
- There were two impacts that influenced post-war reconstruction- the first was the US's emergence as the dominant economic, political and military power in the Western world and the second was the dominance of the Soviet Union.
- Economists and politicians drew two key lessons from inter-war economic experiences:
 - (i) An industrial society based on mass production cannot be sustained without mass consumption.
 - (ii) The second lesson related to a country's economic links with the outside world.
- 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 :**
 - (i) The International Monetary Fund (IMF) to deal with external surpluses and deficits of its member nations
 - (ii) The International Bank for Reconstruction and Development (popularly known as the World Bank) was set up to finance postwar reconstruction.
- The post-war international economic system is also often described as the Bretton Woods system which inaugurated an era of unprecedented growth of trade and incomes for the Western industrial nations and Japan.
- When the Second World War ended, large parts of the world were still under European colonial rule but in the next two decades most colonies in Asia and Africa emerged as free, independent nations.
- The IMF and the World Bank were designed to meet the financial needs of the industrial countries.
- Most developing countries did not benefit from the fast growth the Western economies experienced in the 1950s and 1960s and thus organized 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' market.
- The Industrial world was 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 being one of them.
- China became an attractive destination for investment by foreign MNCs competing to capture world markets.
- The relocation of industry to low-wage countries stimulated world trade and capital flows.

Know the Terms

- **Industrial War:** Economic activities concerned with the processing of raw materials and manufacture of goods in factories, *e.g.*, the use of machine guns, tanks, aircraft, chemical weapons, etc.
- **Hire Purchase:** A system by which a buyer pays for a thing in regular installments while enjoying the use of it.
- **The Great Depression:** A drastic decline in the world economy resulting in mass unemployment and widespread poverty that lasted from 1929 until 1939.
- **Bank Loan:** An amount of money loaned at interest by a bank to a borrower, usually on collateral security, for a certain period of time.
- **Allies:** Before the First World War, Britain, France and Russia later joined by U.S.A. formed an alliance and fought together in the First World War.
- **Central Powers:** An alliance formed by Germany, Austria, Hungary and Ottoman Turkey, who fought together in the First World War.
- **Axis Powers:** Germany, Italy and Japan were known as Axis Powers during the Second World War.
- **El Dorado:** The fabled city of gold.
- **Exchange Rates:** They link national currencies for purposes of international trade. There are broadly two kinds of exchange rates namely fixed exchange rate and floating exchange rate.
- **Fixed Exchange Rates:** The rates which are officially fixed by the government and do not vary with change in demand and supply of foreign currency.
- **Flexible or Floating Exchange Rates:** These rates fluctuate depending on demand and supply of foreign currencies in foreign exchanges markets, in principle without interference by governments.
- **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 at the airport.
- **Hosay:** A riotous carnival in Trinidad (for Imam Hussain) where workers of all races and religions join to celebrate.
- **Plantation:** Estate for cultivation of cash crops such as tea, coffee, cotton, tobacco, sugarcane etc.
- **MNCs:** Multinational Corporations (MNCs) are large companies that operate in several countries at the same time.
- **IMF:** It is also termed as International Monetary Fund, the Bretton Woods institution. It was established to deal with external surpluses and deficits of its member nations.
- **IBRD:** It is abbreviated as the International Bank for Reconstruction and Development (popularly known as the World Bank). It was set up to finance post-war reconstruction.
- **G-77:** G-77 or Group of 77 refers to the seventy-seven developing countries that did not benefit from the fast growth western economies experienced in 1950s and 1960s.

Know the Dates

- **1914-1918:** The First World War was fought.
- **1921:** Indentured labour was abolished.
- **1923:** America resumed exporting capital to the rest of the world and became the largest overseas lender.
- **1929-1935:** The Great Depression.
- **1939-1945:** The Second World War was fought.
- **July, 1944:** The United Nations Monetary and Financial Conference were held at Bretton Woods in New Hampshire, USA.
- **1947:** The IMF and the World Bank commenced financial operations.
- **1949 :** The Chinese Revolution.
- **The Late 1970s :** MNCs began to shift production operations to low-wage Asian countries

Know the Links

- www.youtube.com/watch?v=VNbAuS2VbEs
- knowledgeuniverseonline.com/.../rebuilding-world-economy-war-era.php



Very Short Answer Type Questions

(1 mark each)

[U] Q. 1. Who is referred to as the 'Bretton Woods twins'?

Ans. The Bretton Woods twins refers to the two multilateral organizations created at the Bretton Woods Conference in 1944. They are: The World Bank and the International Monetary Fund (IMF). 1

[A] Q. 2. Name the first European country that conquered America?

Ans. Spain. 1

[A] Q. 3. From which country did Britain borrow large sums of money during the First World War?

Ans. United States of America. 1



Short Answer Type Questions

(3 marks each)

[U] Q. 1. Explain the following:

(i) G-77

(ii) Great Depression of 1929. [Board Term I, 2015]

Ans. (i) Organisation formed by the former colonies to demand a New International Economic Order.

(ii) It was a period of serious decline in production, employment, income and trade. $1\frac{1}{2} + 1\frac{1}{2} = 3$

[U] Q. 2. Explain the role of New International Economic Order (NIEO). [Board Term I, WQ7FXWC, 2014]

Ans. The Group of 77 or G-77 demanded a New International Economic Order (NIEO).

By the NIEO they meant a System that would give them :

(i) Actual control over their natural resources.

(ii) More development assistance.

(iii) Fairer prices for their raw materials.

(iv) Better access for their manufactured goods in developed countries' markets. (Any three) $1 \times 3 = 3$

[R] Q. 3. When was the Bretton Woods conference convened? State the main aim of the conference.

[Board Term-I, KVS-2014]

OR

[R] Describe the Bretton Woods Agreement. (NCERT)

[Board Term-I, 2011 (18, 22, 26, 32, 36)]

Ans. (i) The Bretton Wood Conference was convened in July, 1944 at Bretton Woods in New Hampshire, U.S.A.

(ii) Its main aim was to preserve economic stability and full employment in the industrial world.

(iii) The conference established International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank).

$1 \times 3 = 3$

[A] Q. 4. "The relocation of industry to low-wage countries stimulated world trade and capital flows." Justify the statement. [Board Term I, (X30T4XE), 2014]

OR

[A] Why did MNCs begin to shift their production centres to Asian countries? What were its effects?

[Board Term I, (48), 2012]

Ans. (i) MNCs shifted their production units to Asian countries because of cheap labour and low wages.

(ii) Availability of raw materials and a large market.

(iii) **Effects :** It stimulated world trade and flow of capital. Countries like India, China and Brazil underwent rapid economic transformation.

It generated employment opportunities and introduced competition in the domestic markets.

$1 \times 3 = 3$

(CBSE Marking Scheme, 2012)

[A] Q. 5. 'China becomes an attraction destination for investment by foreign MNCs in the 19th and 20th centuries.' Justify the statement.

[Board Term I, 2015]

Ans. China becomes an attraction destination for investment by foreign MNCs in the 19th and 20th centuries because:

(i) Wages were relatively low in countries like China.

(ii) This is because of the low cost structure of the Chinese economy, most importantly its low wages.

(iii) TVs, mobile phones and toys we see in the shops seem to be made in China. $1 \times 3 = 3$

[U] Q. 6. "The multinational companies (MNCs) choose China as an alternative location for investment?" Explain the statement.

[Board Term-I, (CB4QHT1), 2016-17]

Ans. (i) Since the revolution in 1949, China gradually came in the field of World economy. It attracted the foreign MNC's because of its lowest economic structure.

(ii) Wages were relatively low.

(iii) China has the largest population besides labour. They also formed a large consumer base.

$1 \times 3 = 3$ (CBSE Marking Scheme, 2016)

[A] Q. 7. Elucidate any three factors that led to the Great Depression. [Board Term-I, (6HTQGTf) 2016-17]

Ans. (i) Agricultural overproduction remained a problem and it was made worse by falling agricultural prices.

(ii) As prices slumped and agricultural incomes declined, farmers tried to expand production and bring a large volume of produce to the market but it pushed down prices.

(iii) In the mid-1920s, many countries financed their investments through loans from the US, it was extremely easy to raise loans in the US when the going was good.

(iv) But in the first half of the 1920's, countries that depended crucially on US loan faced an acute crisis.

(v) The withdrawal of the US loans affected the rest of the world in different ways. In Europe, it led to the failure of small major banks and the collapse of currencies such as the British Pound Sterling.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2016)

[A] Q. 8. Mention three reasons for the creation of International Monetary Fund and the World Bank. [Board Term I, 2015]

Ans. (i) The International Monetary Fund and the World Bank were created to meet the financial needs of the industrial countries.

(ii) When Japan and Europe rapidly rebuilt economies, they became less independent on the IMF and the World Bank.

(iii) Thus, from the late 1950s the Bretton Woods institutions, WB and IMF, began to turn their attention towards newly developing countries.

(iv) The newly independent countries facing problems of poverty came under the guidance of international agencies dominated by the former colonial powers.

(Any three) $1 \times 3 = 3$

[U] Q. 9. Why did most of the developing countries organise themselves as a group - the Group of 77 (G-77)? [Board Term-I, (35), 2012]

Ans. (i) The developing countries came under the guidance of IMF and World Bank which were dominated by the former colonial powers in order to uplift their economies.

(ii) Former colonial powers exploited the natural resources of developing nations through IMF and World Bank.

(iii) The developing nations organised themselves into G-77 so as to gain real control over their natural resources, to get more development assistance and fairer prices for raw materials.

(iv) They also wanted a better opportunity for their manufactured goods in the markets of developing nations.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2012)

[A] Q. 10. What steps were taken by the economists and politicians of the world to meet the global economic crisis that arose after the Second World War? [Board Term-I, (45), 2012]

Ans. The steps taken are as follows :

(i) Bretton Woods Conference established IMF to deal with external surplus and deficit of its members.

(ii) The World Bank was set up to finance post-war reconstruction.

(iii) Bretton Woods system was based on fixed exchange rates.

(iv) Dollar was anchored to gold at a fixed price.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2012)



Long Answer Type Questions

(5 marks each)

[R] Q. 1. What is G-77? What did the G-77 countries want to gain from New International Economic Order? Describe. [Board Term I, (33), 2012]

OR

[U] What is G-77? What were its demands?

Ans. G-77 or Group of 77 refers to the seventy-seven developing countries that did not benefit from the fast growth western economies experienced in 1950s and 1960s. So, they organized themselves into G-77.

They demanded :

(i) A new international economic order that would give them real control over their natural resources.

(ii) More development assistance.

(iii) Fairer prices for raw material and

(iv) Better access for their manufactured goods in developed countries' markets.

$1 + 4 = 5$

(CBSE Marking Scheme, 2012)

[U] Q. 2. Explain any five factors that led to the Great Depression of 1929.

[Board Term-I, (40, 45), 2015, 2012]

OR

[U] What do you know about the Great Depression? Write any two causes of it. [NCERT]

Ans. The Great Depression began around 1929 and lasted till the mid 1930s. During this period, most parts of the world experienced decline in production, employment, incomes and trade. Agricultural regions and communities were the most affected.

Causes of Great Depression:

(i) Post-world war economy of the world was fragile. Agricultural over production was a problem. As prices slumped, farm produce rotted.

- (ii) Many countries financed loans from the U.S.
- (iii) U.S. overseas lenders panicked at the sign of financial crisis.
- (iv) Thus, banks were bankrupt and were forced to close down in Europe and in the US because they were unable to recover investments, collect loans and repay depositors.
- (v) American capitalists stopped all loans. $1 \times 5 = 5$
(CBSE Marking Scheme, 2012)

Q. 3. Explain the effects of the Great Depression of 1929 on the United States.

[Board Term-I, DDE-2015]

- Ans.** (i) With the fall in prices and the prospect of a depression, the US banks also slashed domestic lending and called back loans.
- (ii) Farmers were unable to sell their harvests.
- (iii) Faced with falling income, 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.
- (iv) Industrial production registered a fall of about 35%.
- (v) The number of the unemployed started rising, and in 1933, it touched 17 million. As unemployment soared, people trudged long distances looking for any work they could find. Ultimately, the US banking system itself collapsed. $1 \times 5 = 5$

Q. 4. How did the Great Depression of 1929 affect the Indian trade? Explain. [Board Term-I, 2015]

Ans. The Great Depression affected the Indian trade in many ways :

- (i) India's exports and imports were halved between 1928 and 1934.
- (ii) As international prices crashed, prices in India also plunged.
- (iii) Peasants and farmers suffered more than urban dwellers.
- (iv) Peasants producing for the world market were the worst hit.
- (v) Town-dwelling land owners and middle-class salaried employees found themselves better off as everything cost less. $1 \times 5 = 5$

Q. 5. Discuss the factors that led to the end of Bretton Woods System and the beginning of globalization. [Board Term-I, (49), 2012]

OR

Describe any five factors that led to the end of the Bretton Woods System and the beginning of globalization.

[Board Term-I, (OEQL2HT), 2016-17]

Ans. The important reasons behind the end of Bretton Woods system are :

- (i) Decline in economic power of the USA.
- (ii) Change in the international financial system.
- (iii) Unemployment in industrialised countries.
- (iv) Shifting of production enterprises.
- (v) Changes in China. $1 \times 5 = 5$
(CBSE Marking Scheme, 2016)

Detailed Answer :

- (i) **Decline in economic power of the USA:**
 - (a) US dollar no longer commanded confidence.
 - (b) US dollar could not maintain its value in relation to gold.
 - (c) Collapse of fixed exchange rates on floating exchange rates.
- (ii) **Change in the international financial:** The International Monetary Fund and the World Bank were created to meet the financial needs of the industrial countries. International financial system changed, and developing countries were forced to borrow from western commercial banks.
- (iii) **Unemployment in industrialised countries:** Industrial world was hit by unemployment. The number of unemployed started rising and people trudged long distances looking for any work they could find.
- (iv) **Shifting to production enterprises:** MNCs shifted their production units to Asian countries because of cheap labour and low wages.
- (v) **Changes in China:** China became an attraction destination for investment by foreign MNCs.

