

The Making of A Global World

Interdisciplinary project



Important Details

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The Nineteenth Century (1815-1914)

The world changed profoundly in the nineteenth century due to several **economic, political, social, cultural** and **technological** factors.

Economists identify 3 types of movements or '**flows**' within the economic exchanges:

1. **Flow of trade**
2. **Flow of labour**
3. **Flow of capital**

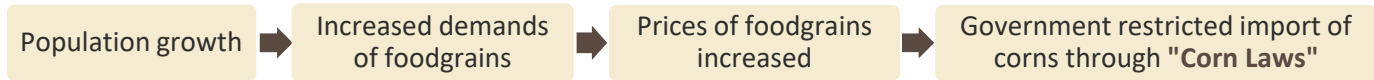
These flows affected the lives of people, but it helps us understand the nineteenth century economy better.

The nineteenth-century world was of two-sided nature.

Positives	Negatives
Trade and economic expansion	Great misery and destruction
High incomes for some	Poverty for others
Technological advancements in some areas	Coercion in other areas

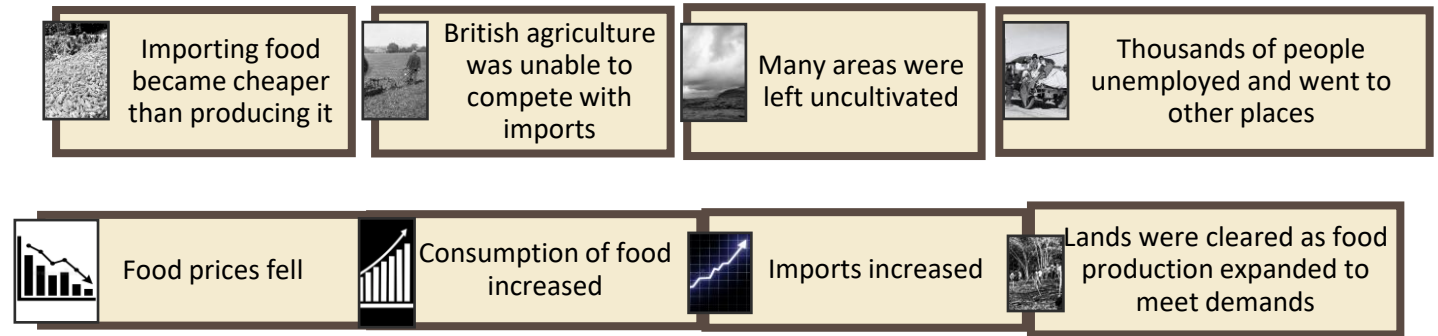
A World Economy Takes Shape

Great Britain – Late 18th century



Industrialists and urban dwellers forced the **abolition of Corn Laws**.

Consequences of Abolishing Corn Laws



Along with clearance of lands, many things were needed:

1. Railways to link agricultural regions to ports
2. New harbours had to be built
3. People had to on settle on those lands to cultivate them

These things required **capital** and **labour**. There was more demand for labour in American and Australia which led to migration.

1. **50 million** people emigrated from Europe to America
2. **150 million** left homes and travelled far for better future

1890 – Agricultural economy took shape with **changes in labour movement patterns, capital flows, ecologies and technologies**.

Food earlier	Food later
Came from villages and towns	Came from more than 1000 miles away
Grown by peasant tilling his OWN land	Grown by a migrated agricultural worker
Not transported anywhere, or transported in short distances	Transported by railways and ships which had low-paid migrated workers in them

Similar changes happened in west **Punjab** during colonial period.

The British government in India built irrigation canals to transform **semi-desert wastes** into **fertile agricultural lands** that could grow wheat and cotton for export. These lands were called "**Canal Colonies**" which were settled by peasants.

Food is only one of the many examples that expanded World Economy. Other examples - **cotton** and **rubber**.

1820-1914: World trade multiplied 25 to 40 times. 60% of this trade comprised “primary products” or agricultural products.

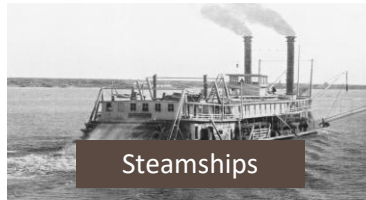
Role of Technology

We saw how trade flourished in the 19th century. **Technology** played a vital role in it.

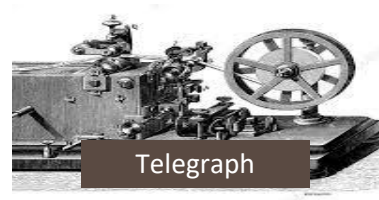
The important inventions without which we couldn't imagine the transformed 19th century world.



Railways



Steamships



Telegraph

And many more...

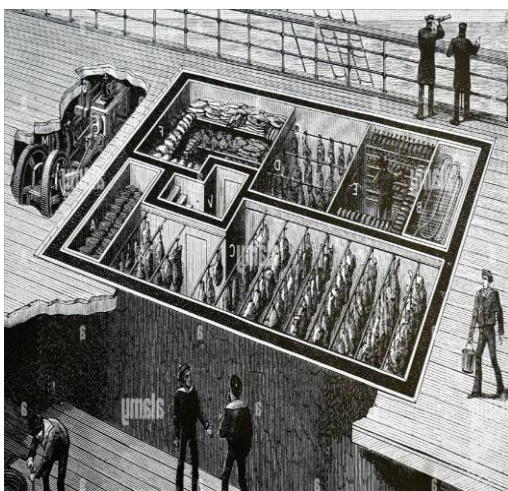
Technological advances were a result of larger social, economic and political factors.

For example, colonisation stimulated **new investments and improvements in transport:**

- | | | |
|--|---|--|
| <ol style="list-style-type: none"> 1. Faster railways 2. Lighter wagons 3. Larger ships | } | <p>Helped to move food
cheaply and quickly
from farms to markets</p> |
|--|---|--|

1870s – Animals were shipped live from America to Europe. Many animals **died, fell ill, lost weight, or became unfit to eat.**

This *increased the meat prices*, which kept *demand and production down*. Soon, a new technology of **REFRIGERATED SHIPS** developed.



Before refrigerated ships	After refrigerated ships
Animals shipped live, slaughtered when they reached the destination	Animals slaughtered at the starting point itself; frozen meat shipped
High shipping costs as animals were alive and needed to be maintained	Low shipping costs
High meat prices as less meat was produced	Low meat prices and high production

The refrigerated ships transported not only meat, but also other animal products like butter and eggs. The poor people now got to eat a varied diet – their usual bread and potatoes, along with meat, butter, and eggs.

Late 19th century Colonialism

19th century – Trade flourished; markets expanded.

But trade expansion and globalization led to **loss of freedoms and livelihoods** as European conquests produced many painful economic, social and ecological changes, which led to colonized societies' formation.

In the African map, some borders of countries are observed to be **straight**. European powers drew up borders to demarcate their respective territories.

1885 – European powers met in Berlin to divide Africa among them.

Britain and France extended their territories
Belgium and Germany became new colonial powers
The US also became a colonial power (late 1890s) by taking over some colonies held by Spain.



Rinderpest, or the Cattle Plague

Earlier, Africa had *abundant land* and a *small population*. Therefore, land and livestock sustained livelihoods and people *rarely worked for a wage*. Europeans were attracted to Africa due to its *vast resources* of land and minerals. They came to Africa, **hoping to establish plantations and mines to produce crops and minerals for export to Europe**.

But there was *shortage of labour willing to work for wages*. To make labour available, they used many methods.

Heavy taxes were imposed

- Those taxes could only be paid by working for wages on plantations and mines.

Inheritance laws were changed

- Only one member of family was allowed to inherit land.
- The other members were pushed into the labour market.

Mineworkers were confined

- They were not allowed to move freely.

Then came the **RINDERPEST** – A devastating cattle disease in late 1880s.

It was a viral disease carried by infected cattle from Britain to feed meat to Italian soldiers invading Eritrea. The diseases reached *Africa's Atlantic coast in 1892*.

Five years later, it reached the *Cape* (Africa's southernmost tip).



Rinderpest killed **90% of the cattle** and it destroyed African livelihoods. Taking the advantage of it, planters, mine owners and colonial governments forced Africans into labour market and controlled the scarce cattle resource that remained.

Indentured Labour Migration from India

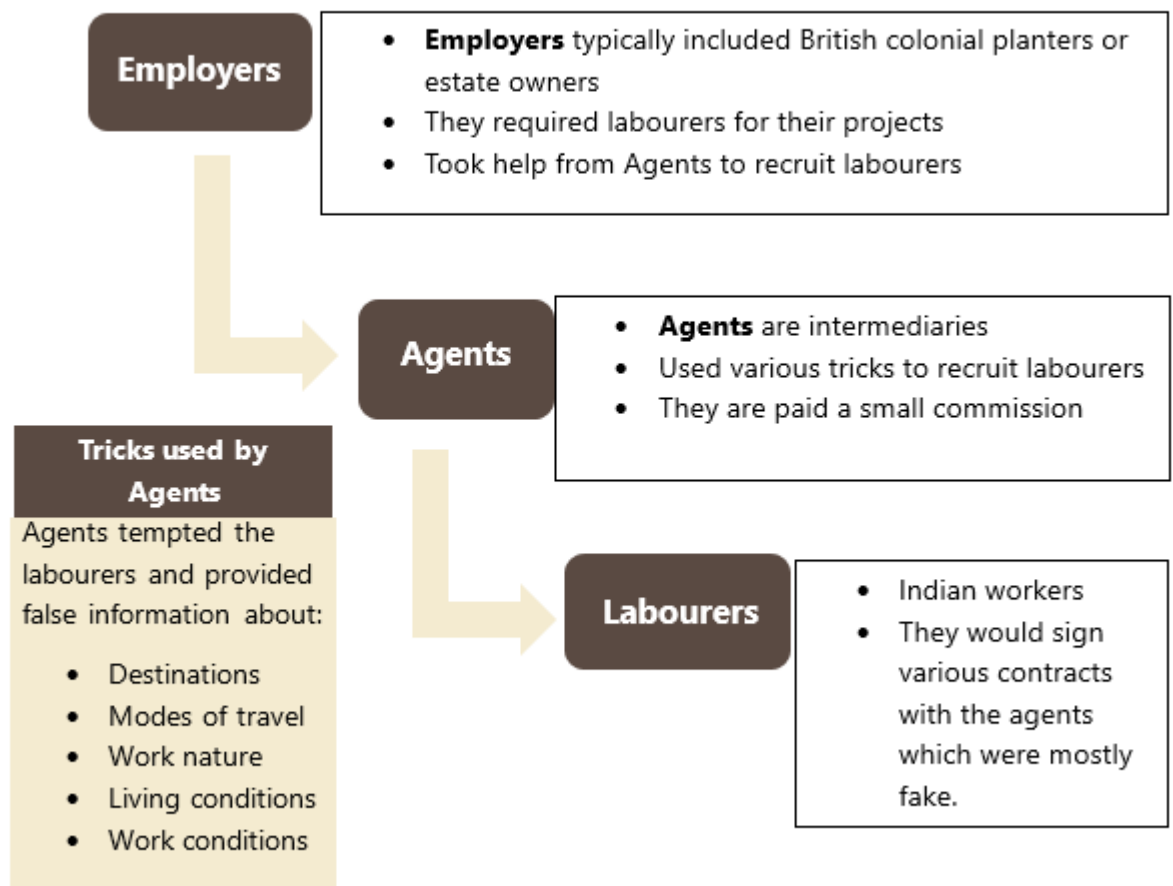
Many Indian and Chinese labourers went to work on plantations, mines, roadways, railways and other construction projects around the world. In India, indentured labourers were hired under contracts, promising **return travel to India after they worked for 5 years on their employer's plantation**. Most Indian indentured labourers came from present-day regions of *eastern Uttar Pradesh, Bihar, central India and dry districts of Tamil Nadu*.

Many changes happened in these regions in mid-19th century.

Changes
<ul style="list-style-type: none"> • Cottage industries declined • Land rents rose • Lands were cleared for mines and plantations

How they affected lives of the poor
<ul style="list-style-type: none"> • Failed to pay rents • Became deeply indebted • Forced to migrate in search of work

The Recruitment Process



Where Indian labourers went

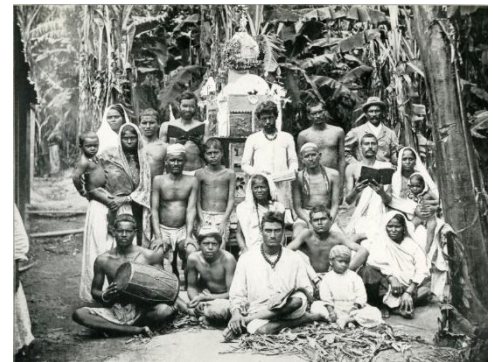
- **Caribbean islands** (mainly Trinidad, Guyana, and Surinam)
- **Mauritius**
- **Fiji**

Where foreign labourers came

- Tea plantations in **Assam**

This system is often described as 'new system of slavery'

On arrival, workers used to find completely different working conditions than they were promised by the agents. Conditions were harsh and legal rights were few. But workers discovered many ways of surviving: (They followed either of the following ways)



Escaped to the wilds (severe punishment if caught)

Developed new forms of self-expression, blending different culture forms

Either stayed there or found new homes

Descended in those countries

Indentured labour system was abolished in 1921. Yet, many descendants of Indians are still found in those Caribbean islands.

Indian Entrepreneurs Abroad

Groups of bankers and traders like **Shikaripuri shroffs** and **Nattukottai Chettiars** financed export agriculture in Central and Southeast Asia using either *their own funds* or *borrowed funds from European banks*.

Most Indian traders followed European colonisers into Africa. But **Hyderabadi Sindhi** traders were beyond Europeans. **1860s** – due to the development of safe and comfortable passenger vessels:

Established emporia at many ports worldwide

Sold curios to tourists

Continued their usual activities of trading and moneylending

Indian Trade, Colonialism and the Global System

Fine cottons produced in India were exported to Europe. **The Cotton Trade:**

British cotton manufacture expanded

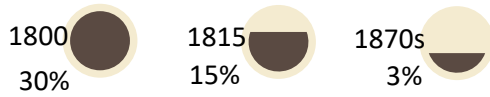
British industrialists pressured government to restrict cotton imports to protect local industries

Tariffs imposed on cloth imports into Britain which increased prices of Indian cotton

Britain's import of Indian cotton declined

Indian textiles, since excluded from British market by tariff barriers, faced strong competition.

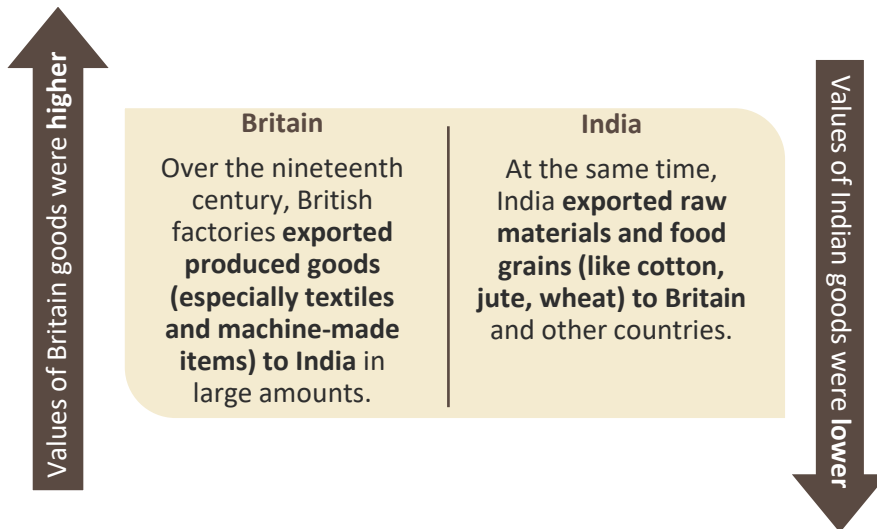
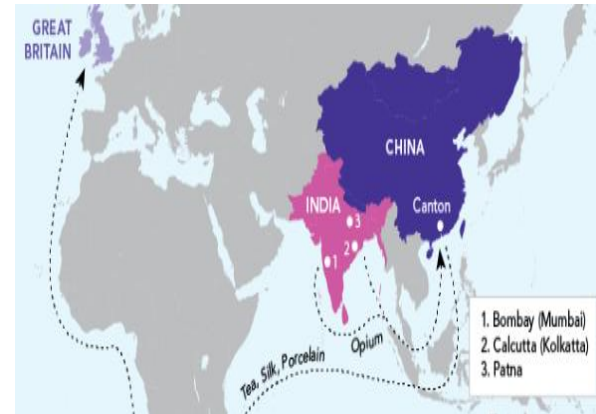
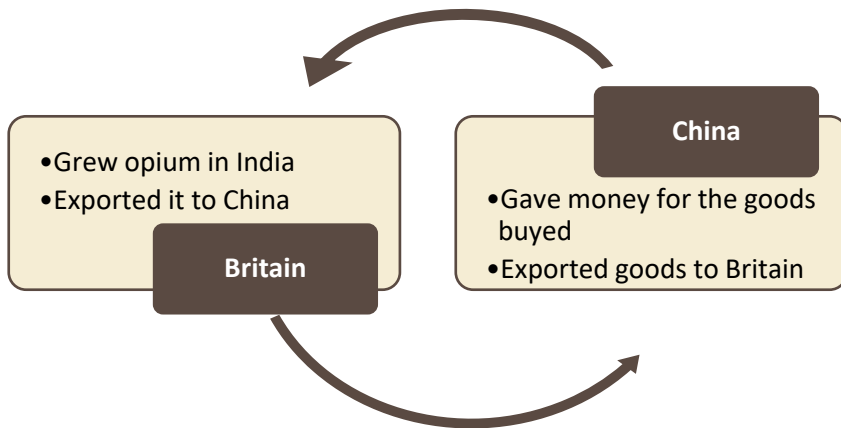
The decline of cotton clothes exports:



Exports of raw materials increased equally fast.



Indigo was another important export in India. **Opium**, which was shipped to China, became India's single largest export in 1820s. Britain took advantage of it.



Britain earned more from selling to India than it spent buying from India. This created a **trade surplus**. This benefitted Britain in various ways – India became like a money-maker for Britain.

How did Britain use this surplus?

Britain used it to *pay off its own debts to other countries* (countries where Britain was importing more than selling to). This is called a **multilateral settlement system** — where:

A country (Britain) settles a loss with one country by using a profit from another (India).

- Britain also used this trade surplus from India to pay for **“home charges,”** which included:
 - **Salaries and pensions** of British officials in India
 - **Remittances** (money sent by British people in India to their families in the UK)
 - **Interest payments** on loans taken by India

The Inter-War Economy

The First World War (1914-18) was mainly fought in Europe. But its impact was seen all over the world:

- It plunged the first half of the twentieth century into a crisis that took three decades to overcome
- During this period, world experienced widespread economic and political instability, and another catastrophic war.

Wartime Transformations

World War I

Allies - Britain, France, Russia, US (later)

Central Powers - Germany, Austria-Hungary, Ottoman Turkey

Involved world's leading industrial nations which had many modern industrial powers to inflict destruction on opposing countries

WW1 began in Aug 1914. People thought it would be over by the upcoming Christmas. But it lasted **four years**.

How was the First World War different from any war that happened before?

Most of the killed and injured people were men of working age.

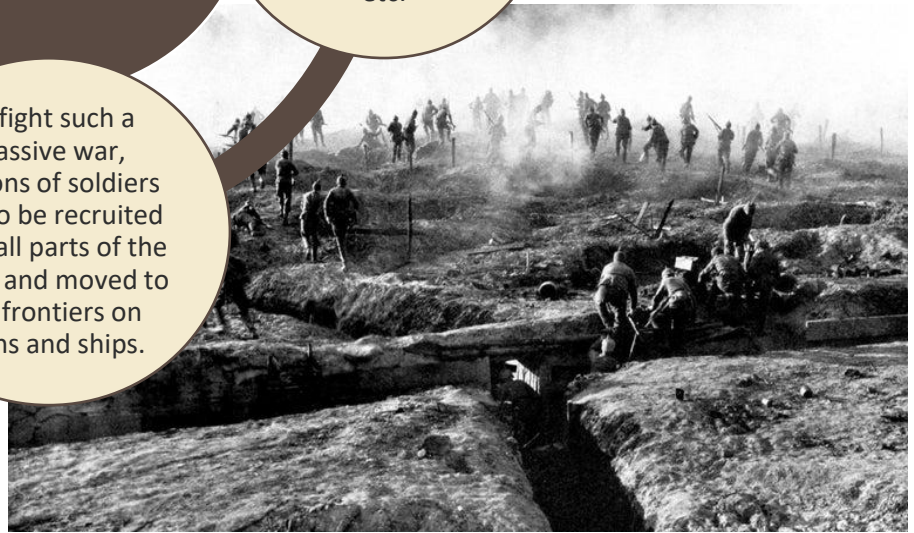
Those deaths and injuries reduced the able-bodied workforce in Europe. Household income declined after the war.

Due to the use of strong insutrial arms, 9 million people were dead and 20 million were injured. Such numbers were never seen before.

How was the First World War different from any war that happened before?

It was the first modern industrial war with use of machine guns, tanks, aircrafts, chemical weapons, etc.

To fight such a massive war, millions of soldiers had to be recruited from all parts of the world and moved to the frontiers on trains and ships.



What changed during the war?

Industries were restructured to produce war-related goods.

Entire societies were reorganized for the war

Men started to go for battle, women started doing jobs that only men were expected to do

The war led to snapping economic links between world's largest economic powers who were fighting each other.

The war made US tranform from an international 'debtor' to international 'creditor' as Britain borrowed large sums of money from it

US, at the end of the war, owned more overseas worldwide assets than any foreign country that holded assets in US.

Post-War Recovery

When Britain was preoccupied with war, industries had developed in Japan and India

Britain then found it difficult to recapture its dominance in Indian markets

It was unable to compete with Japan internationally

Moreover, to finance its war expenditures, Britain borrowed large sums of money from US.

Therefore, at the end of the war, Britain was burdened with huge external debts.

Therefore, Britain, which was world's leading economy in the pre-war period, faced deep crisis.

During War	After War
The war led to an economic boom (a large increase in demand, production and employment to produce war-related goods).	When the war ended, there was no need for such high production, so, production, employment decreased .
Governments spent a lot on weapons, salaries, etc	Governments cut spending to match normal income , leading to more job losses.

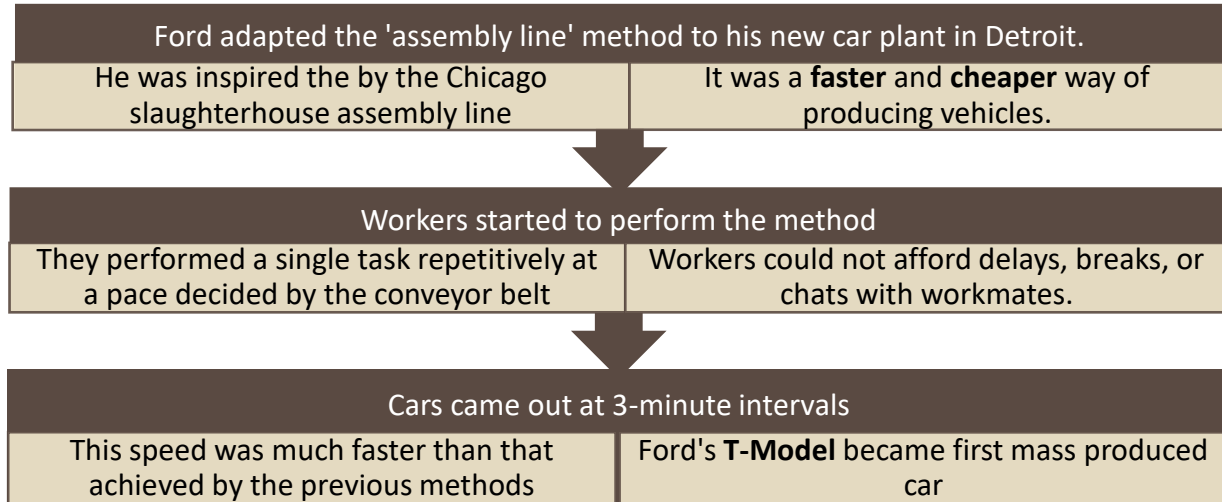
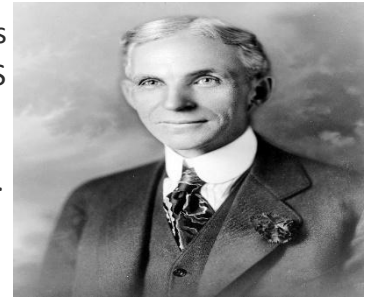
1921 – *One out of every five* British workers was unemployed. [20% unemployment]

Aspect	During War	After War
Wheat Supply	Eastern Europe's supply was disrupted.	Eastern Europe revived wheat production.
New Producers	Canada, America, and Australia expanded wheat production.	Continued high production despite revived supply from Eastern Europe.
Market Situation	Supply shortage created high demand.	Oversupply (glut) in the market as the largely produced goods were no longer needed.
Prices	Wheat prices remained high.	Grain prices fell.
Farmer Incomes	Farmers earned well during the war boom.	Rural incomes declined sharply.
Debt	Lower risk of debt as earnings were steady.	Farmers fell deeper into debt due to falling prices and income.

Rise of Mass Production and Consumption

The war helped US boost its economy. So, the post-war recovery for the US was faster. It began recovering in the 1920s. In 1920s, an important feature of the US economy was **mass production**.

A well-known pioneer for mass production was the car manufacturer **Henry Ford**.



But the workers were stressed and were not able to cope with the speed of the conveyor belt. So, many workers quit. Ford's actions:

- Doubled the daily wages to \$5 in Jan 1914
- Banned trade unions from operating in his plant

He recovered the high wage by **speeding up the production line** and **forcing workers to work harder**. It was his **"best cost-cutting decision"** ever made.

Fordist industrial practices soon spread in the US and Europe.

It's **POSITIVE OUTCOMES**: (one after another)

Lower prices

- The **costs and prices** of engineered goods **decreased**.

Workers were satisfied

- They could now **afford** to purchase durable consumer goods such as cars.

There was a spurt in purchases through the system of "hire purchase"

- Purchase of refrigerators, washing machines, radios, gramophone players, etc. increased due to increase in salaries and it was done through the system of '**hire purchase**' (*the buyer pays some part of the cost immediately and then makes small regular payments until the debt is completely paid*).

Boom in house construction and ownership

- **Old homes weren't designed** with the space, wiring, or layout to accommodate large new appliances like refrigerators, washing machines, or vacuum cleaners.
- The **middle class was growing**, and people wanted **modern homes** with updated kitchens and better infrastructure.
- So, the **demands for new and modern houses grew** and people financed it on loans.

Prosperity in the US

Infinite Loop: The cycle keeps repeating



US became world's largest overseas lender

- It started **exporting capital** to the rest of the world.
- At the same time, it also **imported goods** (though in less amounts) from Europe.

European Recovery

- The availability of capital and money earned from exporting goods to US led to **Europe recovering quickly after the war**.

All this led to world **TRADE AND INCOME GROWTH** in the next six years.

But these things didn't last for too long. In 1929, the world faced such a depression which was never experienced before.

The Great Depression

It began in 1929 and lasted till the mid-1930s. The whole world experienced *declines*:

Production

Employment

Incomes

Trade



Agricultural sector was worst affected because agricultural prices fell more than that of industrial goods.

Effects of the Great Depression:

Agricultural overproduction

There was excessive goods in the market. Therefore, the prices went down.

- As a result, the incomes of farmers went down.
- They tried to produce more goods and sell more to the market to maintain their income.
- But this increased the glut, and prices fell down even more.

Debtors faced issues

US overseas lenders gave loans in high amounts. But when they saw the first sign of trouble, they became cautious.

- In 1928 - US granted loans were over \$1 billion dollars.
- But in the next year (1929), the amount was quartered.
- Countries dependent on US loans faced issues.

Different effects all over the world

The whole world was affected, though differently.

- Europe - Failure of banks, collapse of currencies
- Latin America and elsewhere - High decrease in agricultural and raw materials prices

US affected most severely

US was too cautious that it took wrong steps. While it was trying to prevent the economy, it worsened it.

- **US banks stopped lending 'bank loans'**
- **Farmers were unable to sell their harvests**
- **Households were ruined**
- **Businesses were collapsed**
- All these, reduced the incomes, making people unable to repay loans.
- People had to *give up their homes, cars, and other consumer durable goods.*

- **Unemployment increased significantly**
- People travelled long distances to find jobs.

- The US banks were unable to *recover investments, collect loans and repay depositors.*
- So the **banks were closed down.**
- By 1933 - **4000 banks closed**
- Between 1929 and 1932 - **1,10,000 companies collapsed**

India and the Great Depression

1. Impact on Indian Trade

- The depression **immediately affected Indian trade**.
- India's **exports and imports nearly halved** between 1928 and 1934.
- **Wheat prices in India fell by 50%** due to crashing international prices.

2. Farmers Suffered More than Urban Dwellers

- Agricultural prices **fell sharply**.
- Colonial government **refused to reduce revenue demands**.
- **Peasants producing for the world market were the worst hit**.

3. Case of Jute Producers in Bengal

- Jute was grown and processed for **gunny bag exports**.
- **Gunny exports collapsed**, and **raw jute prices fell over 60%**.
- Peasants borrowed money in hope of better times, but fell deeper into debt.
- Their **hopes were dashed**, as traders paid very low prices.

4. Growing Rural Indebtedness

- Peasants used up their **savings**.
- They **mortgaged lands** and **sold jewellery**.

5. Role of Indian Gold Exports

- India became an **exporter of precious metals**, especially gold.
- **John Maynard Keynes** believed Indian gold exports aided global recovery.
- It **helped Britain's recovery**, but **did little for Indian peasants**.

6. Rural Unrest and Civil Disobedience

- Rural India was **seething with unrest**.
- Gandhi launched the **Civil Disobedience Movement** in 1931 during the depression.

7. Urban India During the Depression

- **Falling prices** made town-dwellers with fixed incomes better off.
- Everything **cost less**, benefiting salaried middle-class and rent-receiving landowners.
- **Industrial investment grew** due to **tariff protection** under pressure from nationalists.

Rebuilding a World Economy The Post-War Era

Second World War: Axis Powers (Germany, Japan, Italy) **vs Allies** (Britain, France, Soviet Union, US). It was fought two decades after the First World War and lasted 6 years.

1. Several cities were destroyed
2. 60 million people (3% of the 1939 population) were killed, not only soldiers, but also civilians
3. Millions were injured
4. Economic devastation and social disruption

Post-war reconstruction was shaped by two crucial influences:

1. US's emergence as a dominant economic, political and military power in Western world.
2. Dominance of the Soviet Union, which made huge sacrifices to defeat Nazi Germany, and transformed itself from a backward agricultural country into a world power during the Great Depression.

Post-War Settlement and the Bretton Woods Institutions

Two lessons learnt from inter-war economic experience:

Mass production requires mass consumption

Industrial society based on mass production cannot be sustained without **mass consumption**

To ensure mass consumption, **high incomes** were required. And to ensure high incomes, **stable employment** was required.

Markets alone couldn't guarantee full employment. **Governments** needed to be involved too.

They must **minimize fluctuations** in price, output and employment. Only then will economic stability be ensured.

Full employment needs economic control

Full employment could only be achieved if governments had **power to control flows** of goods, capital, and labour.

A country's **economic links** with the outside world had to be managed.

In short, the main aim was **economic stability** and **full employment**.

The framework of the post-war international economic system was agreed upon at the **United Nations Monetary and Financial Conference** held in *July 1944* at **Bretton Woods, USA**. Therefore, the system is also known as "**Bretton Woods system**."

Bretton woods conference established:

International Monetary Fund (IMF)



- Dealt with external surpluses
- Also handled the deficits of its member nations

World Bank



- International Bank for Reconstruction and Development (IBRD)
- Financed the post-war reconstruction

Collectively known as:

"Bretton Woods Institutions"

"Bretton Woods Twins"

Both commenced financial operations in 1947.

Decision-making in these institutions is controlled by **Western industrial powers**.

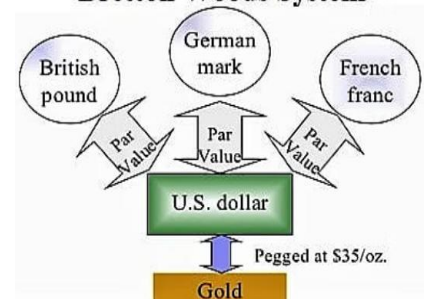
US has **veto** right over key decisions.

International monetary system – Links national currencies and monetary system.

Bretton Woods system:

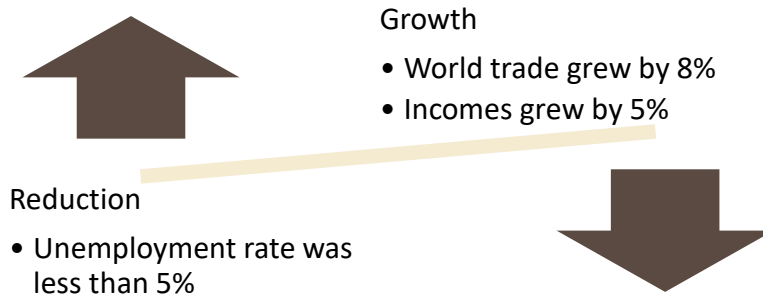
- Based on fixed exchange rates
- National currencies (e.g. – Indian rupee) were pegged to the dollar at a fixed exchange rate.
- Dollar was anchored to gold at fixed price of \$35 per ounce of gold/

Bretton Woods System



The Early Post-War Years

The Bretton Woods system led to growth of trade and incomes. **1950-1970:**



Spread of **technology** and enterprise.

Developing countries were in a hurry to catch up with the advanced industrial countries. Therefore, they **invested** large amounts of *capital, importing industrial plant and equipment* featuring modern technology.

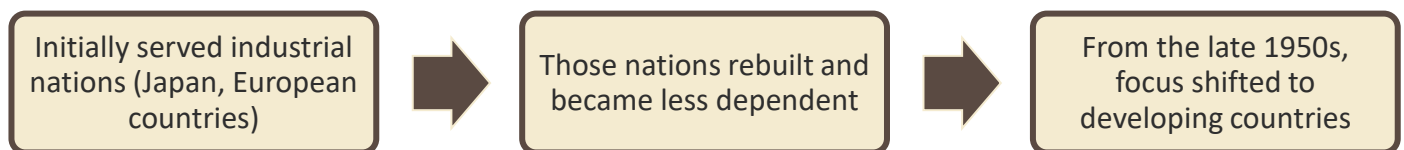
Decolonisation and Independence

- Many parts of Asia and Africa were still under colonial rule after WWII.
- Within two decades, most became independent nations.
- These nations suffered from poverty and lack of development due to prolonged colonial exploitation.

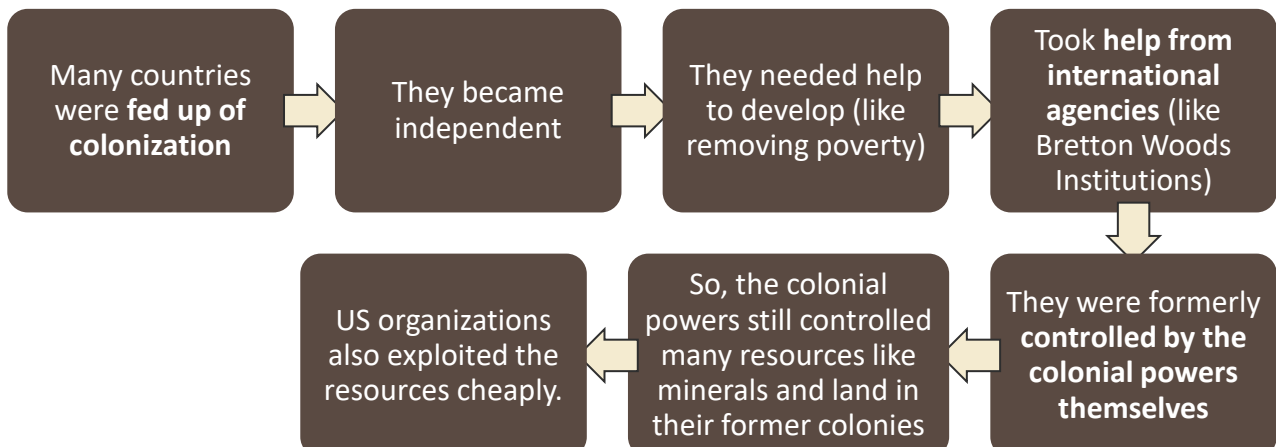
Bretton Woods organizations (IMF and World Bank)

Designed for	Not suited for
Meeting financial needs of industrial countries	Coping with poverty and lack of development in former colonies.
Post-war reconstruction	Newly independent nations

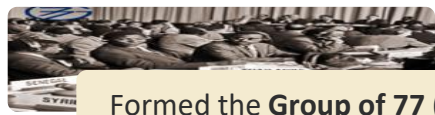
IMF and World Bank



The irony:



Developing countries were excluded from benefits of economic growth.



Formed the **Group of 77 (G-77)**.



Demanded a **New International Economic Order (NIEO)**.

Wanted

Control over natural resources

More development assistance

Fairer prices for raw materials

Better access to markets

End of Bretton Woods and the Beginning of Globalization

Collapse of the Bretton Woods System

Post-war growth masked financial weakening in the US (due to rising costs of its overseas involvements).

U.S. could not maintain dollar's value in relation to gold.

Confidence in dollar dropped globally.

Led to **collapse of fixed exchange rates**. (end of Bretton Woods system)

System of **floating exchange rates** introduced.

Shift in Global Financial Assistance

Developing countries **relied on IMF/World Bank**

• Earlier

Forced to take loans mostly from **Western banks** and **private institutions**.



• Mid-1970s

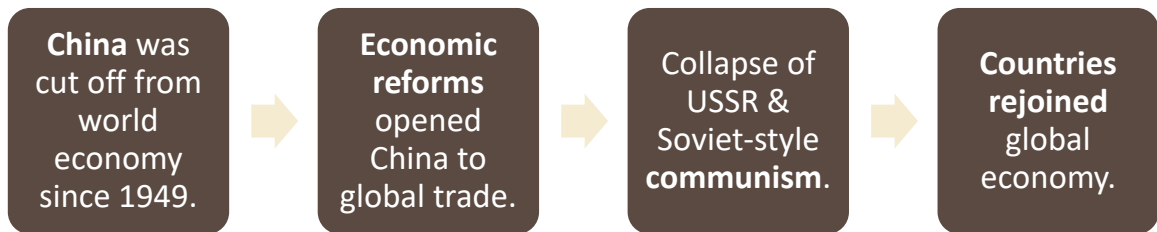
Debt crisis in developing countries

• Consequence

Lower incomes and higher poverty, especially in Africa and Latin America

• Result

- **Unemployment** began in the **mid-1970s**, continued till **early 1990s**.
- MNCs began relocating to cheaper labour countries.



Last two decades saw economic rise of:

- **India**
- **China**
- **Brazil**

Rapid **economic transformation** in these nations.

Shifted the **centre of global production and trade**.

Stimulated world trade and capital flows.

Conclusion

This project explored the dynamic evolution of the global economy from the 19th century to the post-Second World War era, tracing the interconnected threads of trade, migration, colonization, crises, and economic restructuring.

In the **19th century**, a truly global economy began to take shape. Technological advancements in transport and communication revolutionized trade and migration. Colonial expansion, diseases like rinderpest, and systems such as indentured labour deeply altered societies—particularly in Asia and Africa. Indian labourers and entrepreneurs became part of global flows, while India's integration into the world economy was largely shaped by British colonial interests.

The **inter-war period** (1914–1945) marked a turbulent phase. World Wars reshaped industries, populations, and economies. The post-war recovery was short-lived, leading to the **Great Depression**, which caused global suffering. In India, farmers and peasants faced a heavy blow as agricultural prices plummeted while colonial revenue demands remained unchanged.

In the **post-war era**, nations sought to rebuild economies with stability and cooperation. The establishment of **Bretton Woods institutions** aimed to ensure full employment and financial balance. However, as colonial empires collapsed, newly independent nations struggled with poverty and economic inequality. The failure of the fixed exchange rate system led to the rise of **globalization**, powered by shifting industrial production, rising multinational corporations, and the integration of countries like China and India into the global market.

Through these phases, the global world has been shaped by cooperation and conflict, expansion and collapse, inequality and aspiration. Understanding this history is crucial to analysing present economic challenges and imagining a more equitable global future.

Thank You for reading!

I've put genuine effort into presenting the topic clearly and thoughtfully. Your time and attention mean a lot.



Kavyaba Hitendrasinh Rathod

10th-A