Global History

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▼ 1. Manor and feudal economic system.

Feudal system

Feudalism is a political, social and economic system based on loyalty and military service. Estates were “leased” to lords and warriors(knights) in exchange for military service and administrative duties. The society was divided into 3 parts: Dominicum (lord’s demesne), Massaricium (peasants’ and common land) and serfs, unfree peasants that couldn’t be sold from the land.

Innovation in agriculture

Three-course crop rotation, Heavy iron plow, harness and drainage were the most important techniques that were discovered in that period, and productivity increased by 50%. This period of innovation was possible also thanks to the discover of new land in the east, especially in Germany.

This era was characterized by the “commercial revolution”, where all sectors of economy grew and the rate of urbanization increased, thanks to many innovations that brought the manufacturing area to increase their level. Alongside this, many institutions were born, in order to increase the many new and bigger areas of the society and the economy (like the banking sector). The merchants were the main character at that time and the most famous were the Italians and the Syrians, that created new trade routes.

▼ 2. Medieval commercial revolution in Europe.

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▼ 3. Medieval innovations in banking and credit.

CREDIT AND BANKING

Credit is vital to economic system as water is to ecosystems. In Europe at that time there were common needs, like safe deposits, currency exchange, money transfer, advances and loans

moneychangers that started to accept deposits

Recording every transaction and giving advances

Creation of bill of exchange Bill of exchange freed merchants from the tyranny of “cash” and allowed traders to pass credit notes

INVENTING SOVEREIGN DEBT

▼ 4. Technological innovations in the Middle Ages.

Lots of new technological innovations came out in this period, especially in the area of manufacturing and warfare. Time started to be measured by mechanical clocks.

People started to understand new way to product energy, that were:

Harnessing of water and wind power Vertical and horizontal wheels, cams and hammers Canals

 THE MILL

Slave and donkey powered mills for grinding cereals. They were mostly used in Asia, but in Europe the phenomenon exploded from the XI century. Mechanical mills were used for:

Drainage Crushing Metallurgy Fulling of cloth Papermaking

The common denominator of these new techniques was that they weren’t created in Europe mostly were invented or discovered in China – but once they were imported in the old continent they spread rapidly and developed faster than in the far East.

Thanks to these innovation, new products came out on the market and the main areas where they belonged were:

Textiles, that was the first kind of specialization, and developed rapidly in the low countries and especially in Florence, specialized in woolens. Silk came from India, cotton from China Metallurgy, with furnace technology imported from the Arab world to create cast iron Tanning, with a wide use of leather, from flasks to ladders Paper, Technique invented in China refined by the Arabs reached Europe via Damascus and mechanized in Italy (1250)

▼ 5. “Medieval economic world system” and its commercial circuits.

THE FAR EASTERN-CIRCUIT

The southern tip of India was a key landfall and a divider in the great sea routes leading east (toward China) and west (toward the Mediterranean). China was the main end terminal of both sea and land routes and a formidable supplier of high-quality goods.

THE MIDDLE EASTERN CIRCUIT

M.E. was a bridge between the east and the west. There were 3 routes and 3 Mediterranean terminals:

Constantinople, northern route, overland caravan route across Asia Syria/Palestine coast, middle route from India to Persia, via Baghdad, dominated by Arabs and Persians Alexandria, southern route from the Indian Ocean through the Red Sea

They were also connected to Africa, where they traded gold

The European circuit was made up of three interlinked subsystems:

Mediterranean route (linking M.E. ports to Mediterranean port cities such as Venice and Genoa)

Land route through the Alps and Atlantic route (linking Mediterranean ports to the North Sea) Baltic route (connecting North Sea to Baltic lands)

▼ 6. Silk Road and Medieval long-distance trade.

The Silk Road, spanning Asia, facilitated the exchange of goods, ideas, and cultures between East and West.

Long distance trade was limited, because were slow, dangerous and expensive, so only few products could have been traded, because they had to be expensive, solid and durable. The main commodities were spices (south-east Asia), silk (China, the reason of their supremacy), gold (central-eastern Africa, the reason of the connection with the world) and silver (Europe); the main international routes were overland (until 1500).

▼ 7. Economic and demographic impact of the “black death”

The plague originated in Asia and spread worldwide devastating populations and their economies. Long-distance trade fell off dramatically, and at the restart of them, the European took control of this area.

The fall of the east was at first caused by the Mongols, which affected China, India and their economy, and then the Black death devastated what was left by the invasions; 50% of the population was killed, and it moved faster across Asia, and later a Genoese ship brought the plague to Europe in October 1347, and the result was the same as in the East. In Italy, Florence was one of the most affected city, where 2/3 of the population died, but at the same time from there came the most of the information we have about that time, because everyone started to write about it.

▼ 8. Reactions to the XIV century crisis in Asia (China, India, Ottoman Empire)

In China, the dynasty of the Ming restored the traditions and the imperial power after a century of foreign dominance. Chinese managed to recover demographically and economically.

India was characterized by political fragmentation and foreign domination, but they kept an high profile in the trade, where they exported cotton cloth, the most important manufacturing good produced in the country.

In the Middle East, the Ottomans took the power and conducted many wars against the Balcans with many successes.

topic 3

- 9. Overseas ventures and naval technology

  Planning: new state schools were created to improve seamanship and acquire nautical expertise; voyages were financed by the king to find new routes for trading with Asia directly and with Africa (especially from the king of Portugal) Mastering the sea: new technologies were invented to help the sailors, like the magnetic compass for direction (latitude, north-south) and astrolabe for position (longitude, eastwest) Ship construction: a new caravel was invented; it has a new design, it was sturdy, fast, armed with cannons, manoeuvrable and economical, because of the small crew required, so more goods to be traded could be brought

- 10. Early commercial empires (i.e. Spain and Portugal)

  Portugal was the first to set the road to anew way to conduct economic life based on the trade.the king started to finance expeditions to explore the Atlantic and the African coast

  Spain followed this trend, and financed the Columbus' voyage, he wanted to reach east by sailing west. he arrived in the New World. After that, further expeditions were funded by the Spanish king.

- 11. "Columbian exchange": commodities and people

- 12. The "global Atlantic" and the new world economy

  The "global Atlantic" and the "new world economy" are interconnected concepts that reflect the evolving dynamics of international relations, trade, and economic systems over time.

The term "global Atlantic" refers to the intricate network of economic, cultural, and political connections among the countries bordering the Atlantic Ocean. Historically, the Atlantic Ocean has played a pivotal role in shaping global trade routes, facilitating the exchange of goods, ideas, and people between the Americas, Europe, Africa, and, to some extent, Asia. This interconnectedness has been a driving force behind the development of the global economy.

The "new world economy" encapsulates the contemporary state of the global economic system, marked by transformative changes in recent decades. These changes include the rapid expansion of globalization, advancements in technology, and shifts in production and trade patterns. Globalization has led to increased interdependence among nations, fostering the integration of markets, financial systems, and supply chains on a global scale.

The rise of multinational corporations, advancements in communication and transportation technologies, and the liberalization of trade have been instrumental in shaping the new world economy. Additionally, the emergence of new economic powers, such as China and India, has altered the traditional economic landscape, contributing to a multipolar global economic system.

The "global Atlantic" and the "new world economy" are interconnected through historical legacies and contemporary developments. The historical significance of the Atlantic as a conduit for exploration, colonization, and trade laid the foundation for the interconnected global economy we see today. The ongoing evolution of the world economy is characterized by complex interactions, technological advancements, and geopolitical shifts, all of which contribute to the dynamic nature of the global Atlantic and the new world economy.

▼ 13. The triangular trade (Europe, Africa, Americas)

The Triangular Trade was a historical trade route that connected Europe, Africa, and the Americas during the colonial period, roughly from the 16th to the 19th centuries. It consisted of three main legs:

1. **Europe to Africa:**
    - European ships transported manufactured goods, textiles, firearms, and other goods to Africa.
    - These goods were exchanged for African captives, who were then transported to the Americas as slaves.
2. **Africa to the Americas:**

- The captured Africans were sold as slaves in the Americas, where they worked on plantations producing cash crops like sugar, tobacco, and cotton.
- The profits from the sale of these crops were then sent back to Europe.

3. **Americas to Europe:**
    - American colonies shipped raw materials such as sugar, tobacco, cotton, and other goods to Europe.
    - These raw materials were used to manufacture goods, and the finished products were then sold back to the colonies.

The Triangular Trade had profound economic, social, and cultural implications. It played a significant role in the growth of the Atlantic economy, but it also led to the exploitation and suffering of millions of African slaves. The trade route contributed to the accumulation of wealth in Europe, the development of colonies in the Americas, and the establishment of a global economic system.

▼ 14. New world colonial plantations and African slavery

Colonial economy: Plantation were monocrops, the product planted was used just to trade with motherland, like the sugar in Jamaica.

Systems of slavery were known in Africa well before the arrival of the Portuguese

▼ 15. The flow of American silver

The minted American silver was distributed around the globe: loads of silver reached the Atlantic coast and were shipped to Europe from Veracruz and from Panama, while other loads reached the Pacific coast in convoys from Acapulco. With this silver, new Spanish dollars were coined,

Without the American silver the Europeans would’ve been in trouble financing their trade; the flow of silver in Europe was unstoppable and so this abundance of money created a problem in the prices of goods, because too much money causes the rise of the price,

▼ 16. Mercantilism or mercantile system.

economic system that developed after the demise of Feudalism and was based on the federal accumulation of gold and silver, policy which protects small industry and strives to export much and import little

Or

The mercantilist economic thought was based on three pillars:

Gold and silver are the basis of wealth and power , in fact a country’s economic wealth and power was measured by the amount of bullion in its treasury

Trade and manufacturing could supply bullion , in fact even the poorest country could supply bullion by trading, so it follows that exporting was way more important than impoting, so big tariffs were put on foreigners’ manufacturers goods to encourage domestic production

Its goal was to increase the supply of a state's gold and silver with exports rather than to deplete it through imports

A zero-sum game, that means that when a country gains a level of importance, another loses the same amount, and this creates politic and military conflicts

▼ 17. National mercantile policies (England, France, Holland)

Different approaches were used by the colonial powers:

Holland tried to master the sea and to make free every trade France used Colbert’s theory, which implied protective tariffs on import and state support on luxury manufacturing, creating a collision with free-market strategy of Holland England published his Navigation Acts, which stated that goods to and from England had to be carried only by British ships

▼ 18. New commercial organization: regulated and joint-stock companies.

Spain, which had a strong and solid empire in the two worlds. So To face better the Spanish colonial system, England started to encourage his population to migrate to the empty land in North America, that were just discovered. 1 million people frm Europe immigrated. The immigrants, then, started to find new methods to earn money, and other many regulated and joint-stock companies were created, underwritten by groups of private investors, for the purpose of trade and exploration. These companies had the grant of the state, trade monopoly and many privileges.

▼ 19. VOC, EIC and new patterns of trade in Asia

VEREEINGDE OOSTINDISCHE COMPAGNIE (VOC), HOLLAND

This company started as a merger of six previous companies, and then turned out to be the cover business of Dutch monopoly in the Indian Ocean. It was a joint stock company, that empowered to build forts, to maintain armies and to conclude treaties with Asian rulers, but the ultimate goal was to reach the “spice islands” and take the control of the market there.

EAST INDIA COMPANY (EIC), ENGLAND

This was the English response to the Dutch, an unlimited joint stock company

The EIC overcame the VOC in number of ships and trips only in the XVIII century

- 20. Public banks, paper money and the financial revolution

  These new public banks had public backing and were safer than traditional private banks. They provided general banking services, managed public money.The bank had the right to issue paper notes.the bank let people use these notes to pay taxes.The government became early the main client of the public bank.With the Bank Restriction Act of 1797, the English state decided to force paper currency, that made everyone nervous

- 21. Early development of modern “Burse” or stock-exchange

  THE STOCK EXCHANGE

  The Bourse, stock exchange, is an organized securities market (physical place), where brokers could convene daily at agreed times to conduct securities trading. The pattern of the old ones was similar to the today’s ones, with a big “floor”, a large hall where brokers gathered and traded, and a big board where all the transactions were reported. At first the most important one was the Burse of London, passed in the 20th century by the Burse of New York. These new financial markets were the big bang of capitalism

  From the early stages, the “burse” showed to be a very confusing innovation, since it linked the financial part of the life to the human part of the traders, based on the perceptions and feelings o the moment

- 22. The rise of sovereign debt

  THE RISE OF THE SOVEREIGN DEBT

  Sovereign debt means that the state has a debt with other parts of the economy; the state finance himself through bonds that must be repaid on a certain date. At first, this kind of financing was used by the Spanish crown, that received short-term loans (advances) from Genoese bankers to finance their expeditions overseas

- 23. “Great divergence” and “little divergence”

  The "Great Divergence" refers to the period when Western Europe experienced significant economic and technological growth compared to other regions, particularly Asia, starting around the 18th century. On the other hand, the "Little Divergence" suggests a more gradual and nuanced perspective, highlighting that some regions, like parts of Eastern Europe, didn't fall behind as much during this time.

▼ 24. Enclosures and the British agricultural revolution

Enclosures involved the consolidation of common lands, driven by landowners' desire to boost agricultural productivity and profitability. This process set the stage for the British Agricultural Revolution, marked by innovations like crop rotation and selective breeding. The revolution significantly increased food production, fostering urbanization, population growth, and supporting the Industrial Revolution. However, it also led to social unrest due to the displacement of rural communities and raised environmental concerns. The intertwined impact of enclosures and agricultural advancements underscores the complex dynamics of economic transformation during this pivotal period.

▼ 25. The great transformation: the industrial revolution

The Industrial Revolution marks a pivotal epoch in global economic history, transforming societies from agrarian-based economies to industrial powerhouses. Key elements of the Industrial Revolution included the mechanization of industries, the rise of factories, and the widespread adoption of steam power. Urbanization accelerated as people migrated from rural areas to work in factories, resulting in the growth of cities. the revolution had profound effects on transportation, communication, and trade, facilitating the globalization of economies.

▼ 26. Technology, industrialization, and new work organization

The medieval period (roughly spanning from the 5th to the late 15th century) was characterized by significant social, economic, and technological changes. While it is often associated with feudalism and agrarian societies, there were developments in technology, industrialization (to a limited extent), and work organization during this era. Here are some key aspects:

1. **Technological Advances:**
    - **Agricultural Innovations:** The medieval period witnessed advancements in agricultural technology, such as the use of the heavy plow, the three-field system, and the horse collar. These innovations increased agricultural productivity and supported population growth.
    - **Water and Wind Mills:** Water and wind mills became more widespread during the later medieval period, especially in regions like Western

Europe. These mills were used for grinding grain, processing textiles, and other industrial tasks.

2. **Limited Industrialization:**
   - **Craft Guilds:** Medieval towns and cities saw the rise of craft guilds, associations of skilled artisans and merchants. Guilds played a role in organizing labor, setting standards for quality, and protecting the interests of their members.
   - **Manorial System:** In rural areas, the manorial system was prevalent. It involved a lord's manor or estate, where peasants worked the land in exchange for protection and a share of the produce. Some manors had basic processing facilities for agricultural products.
3. **New Work Organization:**
   - **Guild System:** The guild system not only regulated craftsmanship but also influenced work organization. It provided a hierarchical structure for apprentices, journeymen, and master craftsmen. Apprenticeships were a common form of training for skilled trades.
   - **Cottage Industries:** In some regions, especially during the later medieval period, cottage industries emerged. These were small-scale manufacturing operations carried out in individual households, often involving the production of textiles, pottery, or metalwork.
4. **Role of Monasteries:**
   - **Preservation of Knowledge:** Monasteries played a crucial role in preserving knowledge and manuscripts. They often had scriptoria where monks copied and illuminated manuscripts, contributing to the transmission of information.

While industrialization in the medieval period was limited compared to later eras, these technological and organizational developments laid the groundwork for future changes. The transition from medieval to early modern times would witness more pronounced shifts in technology, trade, and labor organization.

▼ 26. Steam power and its applications (mining, manufacturing, transportation)

Steam power emerged as a transformative force during the Industrial Revolution, shaping various sectors of the economy, including mining, manufacturing, and transportation.

In the mining industry, steam engines were instrumental in overcoming water-related challenges.

The manufacturing sector underwent a revolution with the integration of steam power. Factories and mills adopted steam engines to drive machinery.

Transportation witnessed a radical transformation with the introduction of steam power. Steam locomotives revolutionized land transportation by powering trains, facilitating faster and more efficient movement of people and goods. Steamships, equipped with steam engines, revolutionized sea transportation.

▼ 27. The British cotton revolution

The British Cotton Revolution (late 18th to early 19th centuries) transformed textile manufacturing globally. Mechanized spinning and weaving (spinning jenny, power loom) increased efficiency. Factories replaced cottage industries, enabling mass production. Global demand for raw cotton expanded trade, impacting regions like the Southern U.S., Egypt, and India. Urbanization surged as factories drew people to industrial centers. Technological innovations, including the steam engine and improved transportation, facilitated economic growth. This revolution positioned Britain as an economic powerhouse, shaping modern industrial structures worldwide.

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▼ XIX century multiple national paths to industrialization: France, Germany, Russia, USA…

During the 19th century, several nations pursued distinct paths to industrialization, each shaped by its unique historical, political, and economic circumstances. Here's an overview of the industrialization paths of France, Germany, Russia, and the USA:

1. **France:**
    - **Early Industrialization:** France experienced early industrialization, particularly in the textile and coal industries, during the late 18th and early 19th centuries.
    - **Role of State Intervention:** The French government played a significant role in industrial development through policies that supported infrastructure, education, and research.
2. **Germany:**

- **Zollverein and Economic Unification:** The formation of the German Customs Union (Zollverein) in 1834 helped create a unified economic space by removing internal tariffs. This economic unity contributed to Germany's industrialization.
- **Role of Prussian State:** Prussia, a key state in the German unification process, actively promoted industrialization through infrastructure development, education, and support for industries.

3. **Russia:**
    - **Late Industrialization:** Russia's industrialization occurred later in the 19th century compared to Western European nations. The process gained momentum in the latter half of the century.
    - **State-Led Industrialization:** The Russian government, particularly under Tsar Alexander III and Nicholas II, pursued state-led industrialization with a focus on heavy industries like steel and railways.
4. **USA:**
    - **Natural Resources and Agriculture:** The USA had abundant natural resources and a growing agricultural sector. The transition to industrialization was facilitated by the availability of raw materials and a large domestic market.
    - **Innovation and Entrepreneurship:** American industrialization was characterized by innovation and entrepreneurship. The development of the telegraph, railroads, and the expansion of the steel industry played crucial roles.

While each country followed its own trajectory, common elements in these paths included the role of the state, access to resources, technological innovation, and the development of transportation infrastructure. The distinct approaches of these nations contributed to the diversity of industrialization experiences in the 19th century.

▼ 2. Japan’s Meiji restoration: the first non western industrial nation.

Japan’s traditional self-imposed seclusion, that meant having no travel abroad with just one window on the west in the port of Nagasaki, terminated by Commodore Perry in 1853 that entered in the port of Tokyo with the American navy, that forced the Japanese to sign an unequal treaty to create commercial links with the US and Britain. This action created an internal political crisis, and the Japanese alarmed and started interest in technology and restored the imperial power, that led to a change in the political thought of the government both in foreign politics, with the cooperation with external powers, and in the internal politics, with the State that took the control on the development strategy, adopting foreign ways with the Japanese style. The Japanese could rely on some assets, like the tradition of cultural imitation, the educated and patriotic workforce and an internal advanced economic organization, but also on some weaknesses, like the technological gap and the lack of key natural resources.

▼ 3. Importance and impact of the main XIX century flows: people, commodities, capital.

world trade increased up to 40 times. World trade ceased to be dominated by luxury goods and came to be dominated by primary products. In fact, 2/3 of the world trade involved primary products, like wheat, cotton, meat

Economic growth and technological advances in some regions mean dislocation in other parts of the globe. Millions of people moved to seek for employment

Countries running in excess of savings became exporters of capital. The most important capital flow occurred from Britain to New World countries and London was the financial centre of the global market

▼ 4. XIX century communication networks (railways, telegraph).

Railroad networks lowered transportation costs. but it wasn't convenient for everyone. If a country already had all these features, or most of them, the construction of a railroad would have brought a benefit, while if a country didn't have these features, it needed to import them, so it would've been a big cost. An example of this type of problem was the case of Japan, where they started to build railroad networks in 1870, importing all the previous four features; after the start, where foreigners did everything in every field of the construction, the Japanese government asked those experts to teach the Japanese workforce their profession, so in little time the Japanese didn't need imports anymore.

The invention of the telegraph totally changed the communication. The world was connected with cables, and now the information could travel at a higher speed and in higher volumes, being at the

same time safer, than the old letters.

▼ 5. Key tenets of XIX century "development package".

development “package”, that was the strategy to industrialize and compete with Britain, that had in his most important point the discussion of the “let do” mainstream economic thought, that stated that the government should stay out of the market and encourage competition, leaving the market to adjust itself.

The main features of this strategy, that were the base of the success of the new industrial states of the period like Germany and the USA, were:

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State coordination, support and protection, that consisted in the creation of large national markets without internal barriers, the construction of modern infrastructures and the protection of the little industries that were moving the first steps in the economy through tariffs Credit expansion and specialization, that consisted in the creation of central banks, needed to stabilize the currency, and the creation of investment banks to provide business with capital Promotion of mass education, since it was known that an educated workforce could be more powerful and productive; the education was conducted in both universal literacy and technical education, the application of science to production.

▼ 6. XIX century innovations in the banking sector.

European capital and expertise in banking contributed to the development of credit services across the globe. A big expansion of central banks happened, since every country that wanted to expand

itself in the economy needed to create a central bank on the English model to be solid financially. Central banks acted as government banks, lending money to the government, stabilizing the price.

In this period, continental states needed to have a competition with the UK, so they created a new type of bank where it was clear that all the savings were put in some investments like the railway or other infrastructures, the specialized investment banks, like the French “Credit mobilier”. Another kind of bank was created in Germany, the most industrialised state in continental Europe, the joint-stock universal Banks, that were banks that provided a full range of commercial, saving and investment services.

▼ 7. XIX century “social question” and early forms of welfare.

“SOCIAL QUESTION” AND EARLY REFORMS OF WELFARE

One of the biggest issues of the 19 th century was the social question. Before the industrialization of the world, the enterprises were small, so that the employees know each other and create strict relationships. In the new industrial complexes, the employer couldn't know every one other, and so the work was made more boring, since all obligation were discharged with the payment of wages. Since the little skills were required, the phenomenon of the proletarianization of workers happened very quickly, and so the level of life of the average worker dropped, since he was completely abandoned at the first accident that occurred. The workers lived in slums, in very poor hygienic conditions, and couldn't organize themselves to fight for their rights, since the laws didn't permit them, because it was seen as a damage to the market. Trade unions tried to avoid exploitation, but at that time it wasn't possible to make a significant change, so new legislations were needed, and the two main countries that made a step in this direction were Britain and Germany, that were the two main industrial nations in Europe.

▼ 8. The rise of big corporations and scientific management.

THE RISE OF BIG CORPORATIONS AND SCIENTIFIC MANAGEMENT

Before the XIX century, big businesses tended to be few, and the market was made mostly by little firms. During the XIX century, the number of big corporations rose, and they started to take more and more control of the market where they operated, limiting competition and controlling every phase of the production chain. These corporations operated in many countries and sometimes became so big that the legislations had troubles in managing them.

▼ 9. Economic troubles of non western societies (China, India, Ottoman Empire).

In the 19th century, China, India, and the Ottoman Empire faced significant economic challenges, largely influenced by colonialism, external pressures, and internal dynamics:

1. **China:**
    - **Opium Wars (1839-1842, 1856-1860):** The Opium Wars with Britain had severe economic consequences for China. The unequal treaties that followed allowed foreign powers, including Britain, to control key ports and extract economic concessions.
    - **Taiping Rebellion (1850-1864):** The Taiping Rebellion caused massive destruction and economic disruption in China. It was one of the deadliest conflicts in history, impacting agriculture and trade.

2. **India:**
    - **Colonial Exploitation:** British colonial rule in India during the 19th century led to economic exploitation. The British implemented policies that favored their economic interests, leading to the drain of wealth from India to Britain.
    - **Deindustrialization:** The British policies, including heavy taxation and dismantling of indigenous industries, contributed to the deindustrialization of India.
3. **Ottoman Empire:**
    - **Territorial Losses:** The 19th century marked a period of territorial losses for the Ottoman Empire, particularly in the Balkans and the Middle East. These losses had economic implications as the empire lost valuable resources and markets.
    - **Foreign Debt:** The Ottoman Empire accrued significant foreign debt during the 19th century, leading to economic challenges. The debt was used to finance infrastructure projects but became a burden on the economy.

All three societies struggled with adapting to the changing global economic landscape and faced internal conflicts that further strained their economic stability. The impacts of these challenges persisted into the 20th century, shaping the trajectories of these non-western societies.

▼ 10. Latin America post-colonial economic development.

Latin America relied on the colonial legacy, that means that, on the social side, the problem of the resilience of colonial social structures was still dominant, with a high level of social exclusion and literacy, and on the political side the internal divisions, political instability and contrasting paths, divided in Portuguese and Spanish colonies. In the postcolonial period Latin America saw a development, that divided its countries in three categories: rich (like Argentina, Brazil and Uruguay), middling (Mexico, Colombia, Peru) and poor (Bolivia, Paraguay)

▼ 11. XIX century new imperialism and Africa.

NEW IMPERIALISM AND AFRICA

Since there was a need of cheap raw materials and new possibility of investments, western states saw Africa as a land of opportunity, like America was in the 16 th century. Until 1880 Africa was colonized only for a 20% of its territory, in the following 30 years it was totally colonized. The earlier colonized spots were just the ones used as safe ports for the international trade, so they were mostly controlled by Portuguese and British. Between 1885 and 1914, a big colonization of Africa happened with the earlier colonizers (like Great Britain, Spain and Portugal), that expanded their earlier safe ports and controlled mostly the coastal territories, while the new colonizers like Italy, Germany, Belgium and France (that was present earlier, but in a little way) that used the colonization as a way to state their new political power in foreign affairs. Colonialism was seen at that time as a benefit for both the colonizers and the colonized, since the first got new opportunities and a source of cheap raw materials (that fuelled the territorial competition), while the second would've started their road to economic, social and cultural progress.

▼ 12. Economic impact and consequences of WWI (war debts, reparations, German hyperinflation).

ECONOMIC IMPACT AND CONSEQUENCES OF WW1

The first world war had an impact never seen before:

Ca. 10 million people were killed, 20 million wounded The financial and material losses were huge, 50% of national wealth Decades-long growth was interrupted, cross-border trade and investment were disrupted The states applied the war economy, that means that the state controls everything in production, manpower and consumption, paving the way to the authoritarian states

From the territorial point of view, the empires were all disrupted (except for Britain), and Russia went into a revolution that changed its history until this day. European hegemony came to an end, since Europe was exhausted both financially and military; this brought to the rise of the USA to the financial lead of the world, since they became the creditors of the world after the war. They were the one indicated also for the political and economical leadership, but they decided to isolate themselves, leaving the world in a state of constant uncertainty.

From the financial and economic point of view, the war created a huge financial and monetary disorder. The economic breakdown couldn't be faced in a short period since there wasn't an international body, that would've administered the recovery. Western European share of world trade dropped from 53% to 43%, and global trade returned to pre-war level only in 1993.

▼ 13. The "planned" Soviet economy and the NEP.

THE PLANNED SOVIET ECONOMY AND THE NEP

During the war, Russia passed a big period of revolution, that changed its life until our days. The tsar power was banned, mostly because of the failure in the war, and a new government, run by the Soviet, a council of workers, was created. The government wanted peace at any cost, and so Russia had many territorial losses, the civil war that started later killed 15 million people, production had an 80% decrease and inflation rose. The civil war was won by the Bolshevik, that in the February and October revolution obtained the power. They wanted to put communist theories in practice, and so free enterprise became illegal, and all banks and industries started to be seized by the government. The western world was crossed by the "red scare", the fear that also the workers in their country would've created social problems.

The new-born Soviet Union applied a new economic policy in 1921, that had to reshape the Russian economy after the post-war crash. At first it consisted in a mixed economic model, that means that the big industrial complexes went under the power of the government, while the other little firms continued to be private. The Soviet council planned every state expense and every action in the economy, and in 1927, released the "Five years plan", that consisted in:

State commission to set priorities and production targets Speeding up the industrialization of the country, making investments in defence, infrastructures and the industrial production was oriented to the consumption of the group, compressing the individual one

▼ 14. The great crash (1929)

THE GREAT CRASH

In the 1920s, America enjoyed a decade of prosperity, with 5% of unemployment on average, rise of GDP and mass production granted a wider range of affordable products like cars, and also broadcast and marketing became mass ones, with the arrival of the movies and radios on one side and the establishment of the consumerism on the other. This prosperity relied on the market of houses and durable goods, like cars, but after the 1926 the reduce of immigration, reduced also the demanding. Also, other problems came out:

Farms went in overproduction, and so the prices fell Low wages leaded to an uneven distribution of income (richest 5% owned 33% of national income) Overproduction of goods and services started to be uncontrolled Financial troubles: banks started to loan money to everyone, so they can buy homes, goods and stocks on credit The investments in stocks were mainly based on the thought that the stocks would’ve rose in a short period, since it was a prosperous time Stocks started to be totally disconnected to the real world; in this decade the industrial output rose by 50% while stocks by 400%

▼ 15. The Depression of the 1930s and its global impact

The American crash had big consequences also the rest of the world. On average the world GDP contracted for almost -15%, the demand of raw materials suffered a dramatic decline (wool -72%, meat -53% f.e.) and generally from 1929 to 1933 world trade declined by nearly 1/3. The consequences were that unemployment and impoverishment reverted some countries to belligerence and in trade sector, hardship and inequality radicalized governments and turned public opinion against foreign influence.

The world reacted to the depression in an authoritarian way. Lots of trade wars and protective tariffs started to come out, and the failure of liberalism was declared, since People felt let down by institutions and by an economic system that had produced the crisis and was unable to respond to it. Market economy and political liberal institutions seemed to vanish in this period, blocked out by the rise of authoritarian regimes, that multiplied and in fact:

Italy, Germany and Spain went under those regimes, while a military takeover happened in Japan The regimes supported corporativism, that means that the state mediates between social classes to avoid tensions

▼ 16. The American “New Deal” and the keynesian revolution.

The new deal economic policy was the main feature of the 1932 Roosevelt presidential program, and the main idea was that it was needed to introduce federal programs to fight the slump. No one had ever theorized this economic idea and it was the first time that someone proposed it in a liberal state, but the situation was so dramatic that it was better to try something new rather than try old economic policies. The main goals were: relief for those in need, economic recovery and financial reform.

keynesian revolution

Since the traditional neoclassical school of economics proved unable to tackle the recession, a new approach was proposed by J.M. Keynes, based on two important pillars:

Full employment is not the natural condition of competitive markets , so since it is possible that not everyone is employed, that is a social problem, the state has to intervene to balance the macroeconomy State intervention is necessary to regulate the ups and downs of the business cycle , based also on what he was seeing in the world at that time, when the states at that time that were having problems were the ones that had still liberal economy, while the ones where the state was commanding the economy were the ones that were geXng healthier

▼ 17. The new world order after 1945 (institutions and aims).

THE NEW WORLD ORDER AFTER 1945

The second world war turned out to be the worst war in human history, since it was the largest and the deadliest conflict ever. Over 55 million people died, and Europe saw its territories totally destructed. After the war three were the main geopolitical consequences:

Two super-powers took the lead of the political war, USSR and USA, that conflicted each other in the “cold war”, a war of distrust and political tension, without a military conflict European economic dominance came to an end, since Great Britain couldn’t play an important role anymore, and a new period of free trade and self-determination brought to the beginning of decolonization Two economic system, that followed the ones of the super-powers, divided the world in two parts: market economies, US and allies, and planned “communist” economies, USSR and allies

▼ 18. The European Recovery program.

After WWII there was no debate about war reparations. Seen the effects of the bad decisions after WW1, US understood that giving economic aid to Europeans power that had to reconstruct themselves would’ve gave them two big advantages:

Economic, since the Americans needed the Europeans and Japan to reshape in order to reestablish a normal world-trade, so that they could control it; also, the poor economic countries that needed to reshape could only buy goods that the Us offered, so their internal production would've reached record levels, making possible the storm of the lead in economy.

Political, that came from the economic help; in fact, countries helped by the Americans would've become allied to them, and had to follow their political directions in order to not lose the economic help.

▼ 19. From de-colonization to the "third world": the issue of underdevelopment and different destinies.

FROM DE-COLONIZATION TO THIRD WORLD

In the post war years there has been a growing gap between economies destroyed by the war and the US, the most stable economy. In fact, consumerism spread throughout Europe, symbolizing a new wellbeing opposed to war austerity, but it was impossible to ignore the greater part of the globe: underdeveloped countries, still in precarious living conditions.

Also, dependence on agriculture made the economies of the latter extremely fragile due to its frequent fluctuations linked to climatic factors. As regards decolonization, during WW2 much of the world was still subject to a form of imperial dominion therefore colonies were called on to take part in a conflict that took place also in their territories and caused several casualties as well, accelerating the process of disintegration that had already begun. Also, the prevailing approach of the US, winner of the war, opposed the colonial rule in Asia and granted independence to colonies. They considered colonies as intolerably unstable and with the resolution of the Suez Canal crisis, USA marked the end of colonialism in Africa. The colonial empires were an unacceptable anachronism in the new post-war world. This process of decolonization accelerated in the late 1950s and early 1960s when India, Libya, Cambodia, Sudan, Tunisia and Morocco became independent. Many colonies were expected to grow quickly, thanks to the natural resources they possessed, but it turned out that the leaders proved to be uncapable enough to rule and administrate in order to reach modernization and to overcome that permanent backwardness. Also, countries with an high level of natural resources did not easily transform the selling of those commodities in a continuous economic development. So, since decolonization did not go as planned the term "Tiers Monde" was coined by French scholar Alfred Sauvy depicting countries independent from a political point of view but little economy level.

▼ 20. Main features of the “golden age” (1950-70) and “economic miracles”

Following the WW2, the world divided into 2 sides. Developed countries like USA, Western Europe thanks to the US aid, and Japan, who was the only Asian country who promptly also recovered thanks to the Marshall plan. Rich core countries exported manufactured goods (64% of world exports): The “Big Six” (USA, Canada, UK, France, Germany, and Italy) accounted for 46% of world GDP in 1950 and approximately 44% in 1973, while poor periphery countries exported primary products: there was still a huge gap in living standards. Overtime the gap became greater and greater that it was nearly impossible for the newly developed countries to reach GDP levels of UK. Cheap energy and commodity prices fed this economic boom: Americans and Europeans controlled the flow of oil to keep prices low. The development in those western countries also coincided with the start of consumerism, roads improved, number of cars constant grew as well as the housing market, and many infrastructures were built. So, thanks to these favorable conditions even the population grew, world population jumped from 2.5 billion in the 50s to 3.7 billion in the 70s. Not to mention + 500% export in international trade. Above all, US economy was the one who grew the most, with national income doubling and middle-class households covering 60% of Americans and it had a strong performance in manufacturing and the service sector. The first glimpses of these dreamy American lifestyles came from the roaring 20s and appeared again during these years, and media and television were set in every home already in the US alimented this process. In Italy as well from 1950 to 1963 GDP doubled as well as mass consumption and consumerism, in Germany and Japan industrial output and GDP doubled. Overall, it was an age of high growth, worldwide GDP in fact expanded at 3% a year.

▼ 21. Competing economic blocs and the demise of planned socialist economies (1989-91).

The competing economic blocs were three:

- Comecon (1949- 1991)
- EEC (1957), European Economic Community
- EFTA (1960)

COMECON is an acronym for “council for mutual economic assistance” and it aimed at encouraging economic development of socialist countries and to promote integration with the USSR, limiting trade with the western countries. It had an ideological and political background, and wanted to coordinate national economic plans, but it limited economic integration and used inadequate financial means. After 1963 in fact external trade grew faster than intra-Comecon trade.

THE ECONOMIC COLLAPSE OF THE USSR: the worst hit by the oil crisis were the socialist planned economies and during the 80s. The two main command economies that were trying to find a way out and reform were China, that found a way to combine her planned economy to a new direction creating the socialist market economy, and Soviet Union.

Soviet Union’s planned economy worked well during the years between the two wars completing the process of industrialization, but after 1975, while western economies rebounded from the oil crisis, the soviet economy stagnated and went backward, GDP went down. The soviet economy came to rely on western loans and imports. Productivity was very low and insuYcient for maintaining the population. Standards of living were far behind to put it in a nutshell. In 1985 a new leader called Gorbachev proposed both a restructuring of the economy with the perestroika, the policy of restructuring or reforming the economic and political system and launched a new policy of openness. Unlike the Chinese, the Soviet Union decided to reform their economic systems as well as their political systems. Russia embraced economic reforms and started to privatize industries creating oligopolies, but the process was handed badly, and the economy went into a dramatic tailspin. The liquidation of assets and industries caused economic upheaval. This command economy was destroyed and between 1989 and 1991 the Soviet Union disintegrated, the Eastern European countries that were part of the Russian communism broke free and the SU turned into CSI, a loose confederation of independent states.

▼ 22. The «oil crisis» (1973) and its consequences.

The oil crisis was an important catalyst of the last a quarter or the 20th century because it was responsible for the slowdown in the process of expansion, accelerated by America’s decision of leaving Bretton Woods agreement. In 1960 OPEC (Organization of Petroleum Exporting Countries) was created, a cartel where oil producing countries tried to organize themselves with 2 purposes:

try and set stable and fair prices for limiting the clout of the seven sisters, the 7 big American or European oil companies, as they were controlling the process of extracting, refining and distribution, and monopolize the market.

after 1971 with the dollar devaluation, OPEC tried to limit the damage by seXng limit to the price fluctuations, pegging oil prices to gold. During the 1973 Arab Israeli War, Arab members OPEC imposed an embargo, a government order that restricts commerce with a specified country or the exchange of specific goods against the United States in retaliation for the U.S. (and allied) decision to re-supply the Israeli military and to gain leverage in the post-war peace negotiations in Middle East. Arab members of OPEC decided to quadruple the price of oil to almost $12 a barrel. Oil exports to the United States, Japan, and western Europe, which together consumed more than half the world’s energy, were also prohibited.

▼ 23. The «third industrial revolution» and the economic rise of the Far East.

The third industrial revolution was an indirect crisis to the oil shock crisis because some countries decided to shift their production to other fields such as electronics, and those were defensive moves that encouraged changes in this other direction. It was introduced a new era: the digital one. The digitalization of production as well brought several changes in terms of work organization. All these big companies were settled in the pacific coast of California but lot of this also on the other side of the pacific like Korea or Japan. Those countries were very effective in intercepting the new technologies and adopt them. They tried to produce more with fewer people in order to optimize and reduce costs and relocate production where labor cost is cheaper and sell where higher prices. These two key areas for tech production were located in the Far East and eastern America. Japan was one of the first innovative countries in shifting attention from the oil industry to the tech industry, involving the neighbors like Korea, Singapore, Hong Kong and Taiwan that helped the rise of electronic in Asia.

Korea: very large production of car and electronic appliances Taiwan: third world producer of computers Hong Kong and Singapore: key financial and service hubs

Japan had a very strong strategy too, and strong patterns of development like a very selfdisciplined and closing of ties Within state and business. Also used a useful organizational model: teamwork. Japanese financial flows and industrial delocalization: By 1990 Japanese firms had created 1 million jobs, because the strategy was to invest in human capital, education, long-term handy strategy. There was the adoption of new technology plus export oriented economic policies. GDP per capita growth of the Asian tigers was exponential at the time.

- 24. Reducing the role of the state: privatization and de-regulation.

REDUCING THE ROLE OF THE STATE: PRIVATIZATION AND DE-REGULATION

The crisis brought important reaction from the political point of view and economic thought. Basically, the 70s crisis ended the coordinated capitalism that had emerged after WW2, derailed by the rise of prices of commodities in the 70s. It was a period of stagnation due to high inflation combined with low economic growth and high unemployment, a diYcult period to recover from for developed countries. So, this led to a new political mainstream, “Neoliberal Capitalism”, born with monetarism and Milton Friedman from the Chicago school. This new mainstream was of paramount importance because it insisted on the fact that it was important to control the money supply in order to reduce inflation. But they also had a direct approach towards state intervention in the economic sector; they thought that many sectors would have worked better when privatized, not state controlled. Basically, the government was encouraged to stay out of business matters and economy. As a direct consequence a period of de-regulation, liberalization, and privatization (that is namely selling to the private sectors activities previously controlled by the state) began. Another challenge was concerned with wisdom of welfare, becoming so wide that it discouraged responsibility, enterprises and encouraged laziness. So, by reducing the size and benefits of the welfare making it less costly people were again encouraged to be more independent and the economic cycle started to recover. The 2 important political leaders who interpreted this system were Margaret Thatcher from Britain and the American Ronald Reagan.

- 25. The return of the dragons: modern China/India in the global economy

MODERN CHINA IN THE GLOBAL ECONOMY

China’s economy took a new direction in the 70s. A symbolic event happened in 1978 when the leader of the communist party Xiaoping paid a goodwill visit to Japan seXng aside disputed and deciding to pursue joint development, a crucial point in history seXng the rise of China. The latter was also ready to start a reform of opening program finally moving from a planned socialist economy to a newly socialist market economy, a system is based on the predominance of public ownership and state-owned enterprises within a market economy, seen the unsuccess of the previous. Yet retaining socialist values and ideologies introducing private enterprises. This blending worked quite well because from the 70s were introduced market principles, decollectivization, privatization and contracting out-of-state owned industrial complexes. Plus, China encouraged entrepreneurs to develop new economic sectors and started opening to foreign investment, at the start mostly Japanese, that reversed the economic dominance of little developed countries in Asia. China replaced Japan and the other tigers as the main economic powerhouse in Asia reshu`ing the hierarchy. Above all lately, China's boom, from the 1978 to the 21st century, had been steady and high. China emerged as the leading industry nation and the biggest manufacturer items, like steel, ships and textiles, with GDP constantly rising. Key feature for this success is the mixture of command economy, imperial traditions and some lessons coming from the Japanese development. They had state directions and planning the development, they were able to encourage lots of foreign financial investment, offering a disciplined work force. One fundamental feature was its export-led growth, where exports were more than imports allowing China rapid development. Along with sea-port cities huge developments creating real city clusters. 3 were the most famous megalopolises: Beijing, administrative and logistic hub, Shanghai, main financial center and pearl river metropolitan region, Guangzhou Hong Kong.