

- a. Tariffs were imposed on cloth import onto Britain. consequently, the inflow of fine Indian cotton began to decline
- b. The British were excluded from the tariff, Indian textile now faced stiff competition in other international markets.

Q18. List the benefits that the British got by having a trade surplus with India ?

- Ans.
- a. British manufactures flooded the Indian market.
  - c. Foodgrain and raw material export from India to Britain and the rest of the world increased, Britain had a 'trade surplus ' with India.
  - d. Britain used this surplus to balance its trade deficit with other countries. By helping Britain balance its deficits, India played a crucial role in the late 19<sup>th</sup> century world economy.
  - e. Britain's trade surplus in helped pay the so-called 'home charges' that included private remittances home by British officials and traders, interest payments on India's external debt and pensions of the British officials in India.

### LESSON-3

#### THE INTER-WAR ECONOMY

Q1. When and between whom the First World war was fought ?

- Ans.
- a. The First World War was fought between two power blocs.
  - b. On the one side were the Allies- Britain, France and Russia (later joined by the US)
  - c. On the opposite side were the Central powers- Germany, Austria-Hungary and Ottoman Turkey.
  - d. The begin in August 1914.

Q2. Why was the First World war Like no other war before ? Explain.

- Ans.
- The First World War was a war like no other before because-
- a. The fighting involved the world's leading industrial nations which now harnessed the vast power of modern industry to inflict the greatest possible destruction on their enemies.

Q3. Give reason- The First world was the first modern industrial war.

- Ans.
- a. It saw the use of machine guns, tanks, aircraft, chemical weapons, etc, on a massive scale.
  - b. These were all increasingly products of modern large scale industry.
  - c. To fight the war, millions of soldiers had to be recruited from around the world and moved to the frontlines on large ships and trains.
  - d. The scale of death and destruction-9 million dead and 20 millions injured-was unthinkable before the industrial age, without the use of industrial arms.

Q4. Why was household incomes declined after the First World war ?

- Ans.
- The household income was declined because most of the killed and maimed were men of working age. These deaths and injuries reduced the able bodied workforce in Europe.

- b. The second lesson related to a country's economic link with the outside world. The goal of full employment could only be achieved if governments had power to control flows of goods, capital and labour.

Q3. What is the main basis of Bretton Woods International financial system ?

Ans. The Bretton Woods system was based on fixed exchange rates. In this system, national currencies, e.g the Indian rupee, were to be exchanged to the dollar at a fixed exchange rate. The dollar itself was placed in relation to gold at a fixed price of \$35 per ounce of the gold.

Q4. Describe the ways in which Bretton Woods inaugurated an era of unprecedented growth in trade and income for western industrialized nations.

- Ans.
- a. The Bretton Woods system inaugurated an era of unprecedented growth of trade and incomes for the Western industrial nations and Japan.
  - c. World trade grew annually at over 8 per cent between 1950-1970.
  - d. Incomes of people in western countries grew at 5 per cent.
  - e. The growth was stable, without fluctuations.
  - f. The unemployment rate averaged less than 5 per cent in most industrial countries.
  - g. There was worldwide spread of technology and enterprise.
  - h. Developing countries were in a hurry to catch up with the advanced industrial countries.
  - i. Therefore, they invested vast amounts of capital, importing industrial plant and equipment featuring modern technology.

Q5. When and why did World Bank and IMF start financial interventions in the developing countries ?

- Ans.
- a. The International Monetary Fund and the World Bank were created to meet the financial needs of the industrial countries.
  - c. When Japan and Europe rapidly rebuilt their economies, they became less dependent on the IMF and the World Bank.
  - d. Thus from the late 1950s the Bretton Woods institutions, WB and IMF, began to turn their attention towards newly developing countries.
  - e. The newly independent countries facing problems of poverty came under the guidance of international agencies dominated by the former colonial powers.

Q6. Why did the developing countries organize the G-77 ?

- Ans.
- a. The developing countries did not benefit from the fast growth the western economist experienced in 1950s and 1960s under the guidance of WB and IMF.
  - b. They organized themselves as a group- the Group of 77- to demand a new international economic order.
  - c. NIEO means 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.

Q7. Why did Fixed Exchange rate system collapse in the 1960s ?

- Ans.
- a. Despite years of stable and rapid growth, not all was well in this post war world.
  - b. From the 1960s the rising costs of its overseas involvements weakened the US's finances and competitive strength.
  - c. The US dollar now no longer commanded confidences as the world's principal currency.