

CHAPTER-1 NATIONALISM IN INDIA



Revision Notes

The First World War, Khilafat and Non-Cooperation Movement

- **Effects of First World War:** The First World War led to a huge increase in defence expenditure. This was financed by war loans and by increasing taxes. Custom duties were raised and income tax was introduced to raise extra revenue. Prices of items increased during the war years. The prices doubled between 1913 and 1918. The common people were the worst sufferers because of the price rise. Forced recruitment of rural people in the army was another cause of widespread anger amongst people.
- Crop failure in many parts of India resulted in an acute shortage of foods. Influenza epidemic further aggravated the problem. According to the 1921 census, about 12 to 13 million people died because of famines and epidemic.
- **The Idea of Satyagraha**
 - Mahatma Gandhi returned to India in January 1915. His heroic fight for the Indians in South Africa was well-known. His noble method of mass agitation known as Satyagraha has yielded good results.
 - The idea of satyagraha emphasised the power of truth and the need to search for truth. In 1917, Gandhi travelled to Champaran in Bihar to inspire the peasants to struggle against the oppressive plantation system.
 - The method of Satyagraha was based on the idea that if someone is fighting for a true cause, there is no need to use any physical force to fight the oppressor. Gandhiji believed that a Satyagrahi could win a battle through non-violence, *i.e.*, without being aggressive or revengeful.
- **Some early Satyagraha movements organised by Gandhiji:**
 - Peasants' Movement in Champaran (Bihar) in 1917.
 - Peasants' Movement in Kheda district (Gujarat) in 1917.
 - Mill workers' Movement in Ahmedabad in 1918.
- **The Rowlatt Act (1919):**
 - The Rowlatt Act was passed by the Imperial Legislative Council in 1919. The Indian members did not support the Act, but it was passed nevertheless. The Act gave enormous powers to the British Government to repress political activities. It allowed detention of political prisoners without trial for two years.
 - On 6th April, 1919, Gandhiji launched a nationwide Satyagraha against the proposed Rowlatt Act. The call of a strike on 6th April got a huge response. People came out in support in various cities, shops were shut down and workers in railway workshops went on strike. The British administration decided to clamp down on the nationalists. Several local leaders were arrested. Mahatma Gandhi was barred from entering Delhi.
- **Jallianwala Bagh Incident:**
 - On 10th April 1919, in Amritsar, the Police fired upon a peaceful procession. This provoked widespread attacks on government establishments. Martial Law was imposed in Amritsar and the command of the area was given to General Dyer.
 - The infamous (shocking) Jallianwala Bagh Massacre took place on 13th April; the day on which Baisakhi is celebrated in Punjab. A crowd of villagers came to participate in a fair in Jallianwala Bagh. It was enclosed from all sides with narrow entry points.
 - General Dyer blocked the exit points and opened fire on the crowd. Hundreds of people were killed in that incident. Public reaction to the incident took a violent turn in many north Indian towns. The government

was quite brutal in its response. Things turned highly violent. Mahatma Gandhi called off the movement as he did not want to continue the violence.

- **Khilafat Movement:** The Khilafat issue gave Mahatma Gandhi an opportunity to bring the Hindus and Muslims on a common platform. The Ottoman Turkey was badly defeated in the First World War. There were rumours about a harsh peace treaty likely to be imposed on the Ottoman Emperor, who was the spiritual head of the Islamic world (the Khalifa). A Khilafat committee was formed in Bombay in March 1919 to defend the Khalifa. This committee had leaders like the brothers Muhammad Ali and Shaukat Ali. They also wanted Mahatma Gandhi to take up the cause to build a united mass action. At the Calcutta session of the Congress in September 1920, the resolution was passed to launch a Non-Cooperation Movement in support of Khilafat and also for Swaraj.
- **Non-Cooperation Movement:** In his famous book *Hind Swaraj* (1909), Mahatma Gandhi declared that British rule was established in India with the cooperation of Indians and had survived only because of this cooperation. If Indians refused to cooperate, British rule in India would collapse within a year, and Swaraj would be established. Gandhiji believed that if Indians begin to refuse to cooperate, the British rulers will have no other way than to leave India.
- **Some of the proposals of Non-Cooperation Movement:**
 - Surrender the titles which were awarded by the British Government.
 - Boycott of Civil Services, Army, Police, Courts, Legislative Councils and Schools.
 - Boycott of foreign goods.
 - Launch full Civil Disobedience campaign, if the government persisted with repressive measures.

Differing Strands within the Movement

Differing Strands within the Movement: The Non-Cooperation-Khilafat Movement began in January 1921. Various social groups participated in this movement, each with its own specific aspiration. All of them responded to the call of swaraj, but the term meant different things to different people.

- **Awadh:** The Peasants' Movement in Awadh was led by Baba Ramchandra. He was a Sanyasi who had earlier worked in Fiji as an indentured labourer. The peasants were against the high rents and many other cesses, which were demanded by talukdars and landlords. The peasants demanded reduction of revenue, abolition of the begar and social boycott of oppressive landlords.
- **Tribal Peasants:** Tribal peasants gave their own interpretation of Mahatma Gandhi and the idea of Swaraj. The tribals were prevented from entering the forests to graze cattle or to collect fruits and firewood. The new forest laws were posing threats to their livelihoods. The government forced them to do the begar on road construction.
- Many rebels from the tribal areas became violent and often carried guerrilla warfare against the British Officials.
- **Swaraj in the Plantations:** The plantation workers were prevented from leaving the tea gardens without permission, as per the Inland Emigration Act of 1859. When the news of Non-Cooperation Movement spread to the plantations, many workers began to defy the authorities. They left plantations and headed towards their homes. But they got stranded on the way because of a railway and steamer strike. They were caught by the police and brutally beaten up.

Civil Disobedience Movement and People's Participation

- **Simon Commission**
 - The British Government constituted a Statutory Commission under Sir John Simon. The Commission was made to look into the functioning of the constitutional system in India and suggest changes. But since all the members in the Commission were British, the Indian leaders opposed the Commission.
 - The Simon Commission arrived in India in 1928. It was greeted with the slogan 'Go back, Simon'. All parties joined the protest. In October 1929, Lord Irwin announced a vague offer of 'Dominion Status' for India but its timing was not specified. He also offered to hold a Round Table Conference to discuss the future Constitution.
- **Salt March (Beginning of Civil Disobedience Movement)**
 - Mahatma Gandhi believed that salt could be a powerful symbol to unite the whole nation. Most of the people, including the British scoffed at the idea. Abolition of the salt tax was among many demands which were raised by Gandhiji through a letter to Viceroy Irwin.

- The Salt March or Dandi March was started by Gandhiji on 12th March, 1930. He was accompanied by 78 volunteers. They walked for 24 days to cover a distance of 240 miles from Sabarmati to Dandi. Many more joined them on the way. On 6th April, 1930, Gandhiji ceremonially violated the law by manufacturing a fistful of salt.
- The Salt March marked the beginning of the Civil Disobedience Movement. Thousands of people broke the salt law in different parts of the country. People demonstrated in front of government salt factories. Foreign cloths were boycotted. Peasants refused to pay revenue. Village officials resigned. Tribal people violated forest laws.
- **Response of British Rulers:** The Colonial Government began to arrest the Congress leaders. This led to violent clashes in many places. Mahatma Gandhi was arrested about a month later. People began to attack the symbols of British rule; such as Police posts, Municipal buildings, Law courts and Railway stations. The Government's repression was quite brutal. Even women and children were beaten up. About 100,000 people were arrested.
- **Round Table Conference:** When things began to take a violent turn, Mahatma Gandhi called-off the movement. He signed a pact with Irwin on 5th March, 1931. This was called the Gandhi-Irwin Pact. As per the Pact, Gandhiji agreed to participate in the Round Table Conference in London. In lieu of that, the government agreed to release the political prisoners. Gandhiji went to London in December 1931. The negotiations broke down and Gandhiji had to return with disappointment. When Gandhiji came back to India, he found that most of the leaders were put in jail. Congress had been declared illegal. Many measures were taken to prevent meetings, demonstrations and boycotts. Mahatma Gandhi relaunched the Civil Disobedience Movement. By 1934, the movement had lost its momentum.
- **Farmers:** For the farmers, the fight for Swaraj was a struggle against high revenues. When the Movement was called off in 1931, without the revenue rates being revised, the farmers were highly disappointed. Many of them refused to participate when the Movement was relaunched in 1932. The small tenants just wanted the unpaid rent to the landlord to be remitted. They often joined the radical movements which were led by Socialists and Communists. Congress did not want to alienate the rich landlords and hence, the relationship between the poor peasants and Congress was uncertain.
- **Businessmen:** The Indian Merchants and Industrialists could grow their Business during the First World War. They were against those colonial policies which restricted their business activities. They wanted protection against imports and a Rupee-Sterling Foreign Exchange ratio which would discourage imports. The Indian Industrial and Commercial Congress was formed in 1920 and the Federation of the Indian Chamber of Commerce and Industries (FICCI) was formed in 1927. These were the results of attempts to bring the common business interests on a common platform. For the Businessmen, Swaraj meant an end to oppressive Colonial policies. They wanted an environment which could allow the business to flourish. They were apprehensive of militant activities and of growing influence of Socialism among the younger members of the Congress.
- **Industrial Workers:** The Industrial workers showed a lukewarm response to the Civil Disobedience Movement. Since, industrialists were closer to the Congress, workers kept a distance from the Movement. But some workers selectively participated in the Movement. Congress did not want to alienate the Industrialists and hence, preferred to keep the workers' demands at bay.
- **Depressed Classes:** Dr. B. R. Ambedkar demanded for separate electorates for dalits. This made a clash between Gandhiji and Ambedkar. When British accepted their demand, Gandhiji began a fast unto death as he believed that it would slow down the process of their integration into society. As a result Ambedkar and Gandhiji signed an agreement known as Poona Pact of September 1932 in which dalits got reservation in Provincial and Central Legislative councils.
- **Women's Participation:** Women also participated in the Civil Disobedience Movement in large numbers. However, most of the women were from High-Caste families in the urban areas and from rich peasant households in rural areas. But for a long time, the Congress was reluctant to give any position of authority to women within the organisation. The Congress was just keen on the symbolic presence of women.

The Sense of Collective Belonging

- **The Sense of Collective Belonging**
 - Nationalist Movement spreads when people belonging to different regions and communities begin to develop a sense of collective belongingness. The identity of a nation is most often symbolized in a figure or an image.

- The image of Bharat Mata was first created by Bankim Chandra Chattopadhyay in 1870 when he wrote 'Vande Mataram' for our motherland. Indian folk songs and folk tales sung by people played an important role in promoting the idea of nationalism. In Bengal, Rabindranath Tagore and in Madras, Natesa Sastri made collection of folk tales and songs which led the Movement for folk revival.
- During the Swadeshi Movement, a tri-color (red, green and yellow) flag was designed in Bengal. It had eight lotuses representing eight provinces and a crescent moon representing Hindus and Muslims.
- Means of creating a feeling of nationalism was through reinterpretation of history. The nationalist writers urged the readers to take pride in India's great achievements in the past and struggle to change the miserable conditions of life under British rule.



Know the Terms

- **Nationalism:** It is a political, social and economic ideology or a movement characterised by the promotion of the interests of a nation, as a whole.
- **Satyagraha:** The policy of passive political resistance inaugurated by Mohandas Karamchand Gandhi during his stay in South Africa. It is based on the ideals of truth and non-violence.
- **Khalifa:** The spiritual head of the Islamic World.
- **Conscription/Forced Recruitment:** A process by which the colonial state forced people to join the army.
- **Rowlatt Act:** It was an Act which gave the British government enormous power to repress political activities. It allowed that government could arrest anybody without a trial for two years.
- **Jallianwala Bagh Massacre:** The Jallianwala Bagh Massacre, also known as the Amritsar Massacre, took place on 13th April, 1919 when troops of the British Indian Army under the command of General Dyer opened fire on the crowd of Baisakhi pilgrims, who had gathered in Jallianwala Bagh, Amritsar, Punjab.
- **Non-Cooperation Movement:** Began in January 1921, the main aim of this movement was not to cooperate with the British. It included surrendering of government titles, boycott of Civil Services, Army, Police, Courts and Legislative Councils, School and Foreign Goods; and a full Civil Disobedience campaign would be launched.
- **Swadeshi:** The Swadeshi Movement involved boycotting British products and the revival of domestic made products and production technique.
- **Boycott:** A boycott is a form of consumer activism involving the act of voluntarily abstaining from using, buying or dealing with a person, organisation or country as an expression of protest usually for political reason.
- **Begar:** Labour that villagers were forced to contribute without any payment.
- **Picket:** A form of demonstration or protest by which people block the entrance to a shop, factory or office.
- **Civil Disobedience:** During Civil Disobedience Movement people were asked not only to refuse cooperation with the British but also to break the Colonial Laws.
- **Swaraj:** "Swaraj" means Freedom or Self-rule. In 1920, "Swaraj" meant "Self-Government" within the empire if possible and outside if necessary.
- **Simon Commission:** The new Tory government in Britain constituted a Statutory Commission under Sir John Simon. The Commission was sent to India to look into the functioning of the Constitutional system in India and suggest changes. It arrived in India in 1928.
- **Salt Law:** Salt is consumed by both the poor and the rich, and is one of the most essential items of foods everywhere in the world. The British Government had a monopoly on the production of salt in India. By imposing a 'salt tax' the Government hit both the rich and the poor, especially the poor. Gandhiji thought it was the most repressive Act of the British Government and chose to defy it by breaking the "Salt Law".
- **Gandhi-Irwin Pact:** When the British Government responded with a policy of brutal repression against the Civil Disobedience Movement, Mahatma Gandhi decided to call off the movement. He entered into a pact with Lord Irwin on 5th March, 1931. Under this pact, Gandhiji consented to participate in a Round Table Conference in London.
- **Folklores:** The traditional beliefs, customs and stories of a community that are passed through the generations by word of mouth. Many nationalist leaders took help of folk tales to spread the idea of nationalism. It was believed that the folk tales revealed the true picture of traditional culture.
- **Reinterpretation of History:** Many Indians felt that the British had given a different interpretation of Indian history. They felt that it was important to interpret the history from an Indian perspective. They wanted to **glorify** the rich past of India so that the Indians could feel proud of their history.

Know the Dates

- **1885:** The first meeting of the Indian National Congress in Bombay.
- **1905:** The Partition of Bengal officially came into existence.
- **1906:** Formation of the Muslim League.
- **1913 - 1918:** The war years-prices increased in double.
- **1914 - 1918:** The First World War.
- **1917:** Mahatma Gandhi organised Satyagraha Movement in Kheda District (Gujarat).
- **1918:** Mahatma Gandhi organised Satyagraha Movement in Ahmedabad.
- **1919:** Rowlatt Act was passed.
- **10th April, 1919:** The Police in Amritsar fired upon a peaceful procession. Martial Law was imposed.
- **March, 1919:** Khilafat Committee founded in Bombay.
- **13th April, 1919:** Jallianwala Bagh Massacre took place.
- **September, 1920:** Congress Session in Calcutta decided to start a Non-Cooperation Movement in support of Khilafat as well as for swaraj.
- **1920:** Mahatma Gandhi leads the Congress; Non-Cooperation Movement launched.
- **December, 1920:** Congress Session at Nagpur—a compromise was worked out and the Non-Cooperation programme was adopted.
- **October 1920:** Setup of Oudh Kisan Sabha headed by J. L. Nehru.
- **1922:** Chauri Chaura at Gorakhpur.
- **1921:** Famines and the epidemic.
- **1920:** The Peasant Movement in Awadh spread, but the Congress Leaders were not happy with them.
- **1921:** A Militant Guerrilla Movement spread in the Gudem Hills of Andhra Pradesh. Movement started by Alluri Sitarama Raju.
- **1921-1922:** The Import of foreign cloth halved. In 1920, Jawaharlal Nehru went around the village in Awadh.
- **February, 1922:** Mahatma Gandhi decided to withdraw Non-Cooperation Movement. Establishment of Swaraj Party by Motilal Nehru and C. R. Das.
- **1924:** Alluri Sitarama Raju was captured and executed.
- **1927:** The Federation of the Indian Chamber of Commerce and Industries (FICCI) was formed to organise business interest.
- **1928:** Simon Commission arrived in India.
- **1928:** Foundation of the Hindustan Socialist Republican Army (HSRA).
- **October, 1929:** A vague offer of 'Dominion Status' for India offered by Lord Irwin.
- **October, 1929:** Oudh Kisan Sabha was set up headed by J. L. Nehru.
- **December, 1929:** Lahore Session of the Congress- Demand for Purna Swaraj.
- **January 26, 1930:** Celebrated as the Independence Day.
- **January 31, 1930:** Gandhiji sent a letter to Viceroy Irwin stating 11 demands.
- **April, 1930:** Abdul Ghaffar Khan was arrested.
- **April 6, 1930:** The Salt March reached Dandi, Gandhiji violated the Salt Law.
- **1930:** Civil Disobedience Movement continues, Salt Satyagraha, Gandhi's Dandi March, First Round Table Conference.
- **1930:** Dr. B.R. Ambedkar established Depressed Classes Associations.
- **March 5, 1931:** Gandhi-Irwin Pact was signed.
- **December, 1931:** Gandhiji went for Second Round Table Conference.
- **1931:** Second Round Table Conference; Gandhi-Irwin Pact; Census of India.
- **1932:** Suppression of the Congress movement; Third Round Table Conference.
- **September, 1932:** Poona Pact between Gandhiji and Dr. B. R. Ambedkar.
- **1934:** Civil Disobedience Movement lost its momentum.
- **1934:** Civil Disobedience Movement came to a stop.
- **1935:** The Government of India Act received Royal Assent.
- **1937:** Election held for Provincial Assemblies.
- **1939:** Outbreak of the Second World War.

CHAPTER-2

THE MAKING OF A GLOBAL WORLD



Revision Notes

The Pre-Modern World and the Nineteenth Century

The Pre-Modern World

- Globalisation refers to an Economic System that has emerged since the last 50 years.
- From ancient times, travellers, traders, priests and pilgrims travelled vast distances for knowledge, opportunity, spiritual fulfilment or to escape persecution.
- The Silk Routes are a good example of pre-modern trade and cultural links between distant parts of the world.
- The name 'Silk Routes' points to the importance of West-bound Chinese silk cargoes along this route.
- Trade and cultural exchange always went hand in hand.
- Traders and travellers introduced new crops to the lands that they travelled.
- Europe's poor began to eat better and live longer with the introduction of the humble Potato.
- Ireland's poorest peasants became so dependent on potatoes that when disease destroyed the potato crop in the mid-1840s, hundreds of thousands died of starvation.
- European sailors found a sea route to Asia and also successfully crossed the western ocean to America.
- Precious metals, particularly silver, from mines located in present day Peru and Mexico also enhanced Europe's wealth and financed its trade with Asia.
- The Portuguese and Spanish conquest and Colonisation of America was decisively underway by the mid-sixteenth century.
- The most powerful weapon of the Spanish conquerors was the germs such as those of smallpox that they carried on their person.
- Due to their long isolation, America's original inhabitants had no immunity against these diseases that came from Europe. Smallpox, in particular proved to be fatal.
- Until the 19th century, poverty and hunger were common in Europe. Cities were crowded and deadly diseases were widespread.
- In the 18th century, China and India were among the world's richest countries. They were also pre-eminent in Asian trade.
- However, from the 15th century, China is said to have restricted overseas contacts and retreated into isolation.
- China's reduced role and the rising importance of the America gradually moved the centre of world trade Westwards.
- Europe now emerged as the centre of world trade.

The Nineteenth Century:

- Economic, political, social, cultural and technological factors interacted in complex ways to transform societies and reshape external relations.
- Economists identify three types of movement or 'flows' within International Economic Exchanges.
 - The flow of Trade.
 - The flow of Labour.
 - The Movement of capital .
- Due to increase in population from the late 18th century, the demand for food grains in Britain had increased.
- Since, there was pressure from landed groups, the government also restricted the import of corn.
- The laws allowing the government to do this were commonly known as the 'Corn Laws'.
- Railways were needed to link the agricultural regions to the ports.
- New harbours had to be built and people had to settle on the lands which meant building homes and settlements.

- All these activities in turn required capital and labour. Capital flowed from financial centres such as London.
- The demand for labour in places where labour was in short supply—as in America and Australia, led to more migration.
- By 1890, a Global Agricultural Economy had taken shape.
- The British Indian Government built a network of irrigation canals to transform semi-desert wastes into fertile agricultural lands that could grow wheat and cotton for export. The railways, steamships, the telegraph were important inventions without which we cannot imagine the transformed nineteenth-century world.
- Colonisation stimulated new investments and improvements in transport.
- The trade in meat offers a good example of this connected process. Till the 1870s, animals were shipped live from America to Europe and then slaughtered when they arrived there.
- Better living conditions promoted social peace within the country and support for imperialism abroad.
- Trade flourished and markets expanded in the late nineteenth century.
- Britain and France made vast additions to their overseas territories in the late nineteenth century. Belgium and Germany became new Colonial Powers.
- In the 1880s, a fast-spreading disease of Cattle Plague or Rinderpest had a terrifying impact on the African local economy. It was carried by infected cattle imported from British Asia to feed the Italian soldiers invading Eritrea in East Africa. Entering Africa in the East, Rinderpest moved west 'like forest fire'. The loss of cattle destroyed African livelihoods.
- In the late 19th century, Europeans were attracted to Africa due to its vast resources of land and minerals. But there was a shortage of labour willing to work for wages. Employers used many methods to recruit and retain labour.
- Heavy taxes were imposed which could be paid only by working for wages on plantations and mines.
- In the 19th century, hundreds of thousands of Indian and Chinese labourers went to work on plantations, in mines, and in road and railway construction projects around the world.
- In India, indentured labourers were bonded labourers who were transferable to any country on contract for a specific amount of wage and time. Most of the labourers were from Uttar Pradesh, Bihar, Central India and certain districts of Tamil Nadu.
- The 19th century indenture has been described as a 'New System of Slavery'.
- From the 1900s, India's nationalist leaders began opposing the system of Indentured Labour Migration as abusive and cruel. It was abolished in 1921.
- Shikaripuri Shroff and Nattukottai Chettiyars were amongst the many groups of bankers and traders who Financed Export Agriculture in Central and South-east Asia.
- Indian Traders and Moneylenders also followed European colonisers into Africa.
- With the advent of industrialisation, British cotton manufacture began to expand and industrialists pressurised the government to restrict cotton imports and protect local industries.
- Tariffs were imposed on cloth imports into Britain. Consequently, the inflow of fine Indian cotton began to decline.
- Indigo used for dyeing cloth was another important export for many decades. British manufactures flooded the Indian Market.
- The value of British Exports to India was much higher than the value of British imports from India. Thus, Britain had a 'Trade Surplus' with India.
- Britain used this surplus to balance its trade deficits with other countries – that is, with countries from which Britain was importing more than it was selling to.

The Inter-War and Post-War Economy

The Inter War Economy:

- The First World War (1914-18) was mainly fought in Europe but its impact was felt around the world due to widespread economic and political instability.
- This war was thus, the First Modern Industrial War. It saw the use of machine guns, tanks, aircraft, chemical weapons, etc., on a massive scale.
- Most of the killed and maimed were men of working age and these deaths and injuries reduced the able-bodied workforce in Europe.
- Britain borrowed large sums of money from the US Banks as well as the US public which transformed the US from being an "International Debtor to an International Creditor".
- Britain was the world's leading economy in the pre-war period but had to face a prolonged crisis. In the meanwhile, industries had developed in India and Japan.

- After the war, Britain found it difficult to recapture its earlier position of dominance in the Indian Market and to compete with Japan internationally.
- The war had led to an economic boom, that is, to a large increase in demand, production and employment.
- Before the war, Eastern Europe was a major supplier of wheat in the world market but during the war its supply disrupted and wheat production in Canada, America and Australia expanded immensely.
- But after the war, production in Eastern Europe revived and created a glut in wheat output. Grain prices fell, rural incomes declined and Farmers fell deeper into debt.
- One important feature of the US economy of the 1920s was Mass Production. A well-known pioneer of mass production was the Car Manufacturer, Henry Ford.
- The T-Model Ford was the world's first mass-produced car.
- Mass production lowered costs and prices of engineered goods and there was an increase in the purchase of refrigerators, washing machines, radios, gramophone players, all through a system of 'hire purchase'.
- Large investments in housing and household goods seemed to create a cycle of higher employment and incomes, rising consumption demand, more investment and yet, more employment and incomes.

The Great Depression:

- By 1929 the world plunged into a depression called -The Great Depression of 1929.
- During this period most parts of the world experienced catastrophic declines in production, employment, incomes and trade.
- The depression was caused by a combination of several facts of agricultural overproduction.
- Many countries financed their investments through loans from the US. The withdrawal of the US loans affected much of the rest of the world.
- With the fall in prices and the prospect of a depression the US Banks had also slashed domestic lending and called back loans.
- The Great Depression's wider effects on society, politics and international relations, and on peoples' minds, proved more enduring.
- Since Colonial India had become an exporter of agricultural goods and importer of manufactures, the depression immediately affected Indian trade.
- Peasants and farmers suffered more than urban dwellers though agricultural prices fell sharply, the Colonial Government refused to reduce revenue demands.
- This resulted in the increase of indebtedness of the Indian peasants who used up their savings, mortgaged lands, and sold whatever jewellery and precious metals they had to meet their expenses.
- The famous economist John Maynard Keynes thought that Indian gold exports promoted global economic recovery.

The Post War Era:

- The Second World War broke out merely after two decades of the First World War and brought enormous death and destruction.
- It was fought between the Axis powers (mainly Nazi Germany, Japan and Italy) and the Allies (Britain, France, the Soviet Union and the US).
- The war caused an immense amount of economic devastation and social disruption.
- There were two impacts that influenced post-war reconstruction. The first was the US's Emergence as the dominant economic, political and military power in the Western world and the second was the dominance of the Soviet Union.
- **Economists and politicians drew two key lessons from Inter-war economic experiences:**
 - (i) An Industrial Society based on mass production cannot be sustained without mass consumption.
 - (ii) The second lesson related to a country's economic links with the outside world.
- The main aim of the Post-war International Economic System was to preserve economic stability and full employment in the Industrial World.
- **The Bretton Woods conference established:**
 - (i) The International Monetary Fund (IMF) to deal with external surpluses and deficits of its member nations.
 - (ii) The International Bank for Reconstruction and Development (popularly known as the World Bank) was set up to finance post-war reconstruction.
- The Post-War International Economic System is also often described as the Bretton Woods system which inaugurated an era of unprecedented growth of trade and incomes for the Western Industrial Nations and Japan.
- When the Second World War ended, large parts of the world were still under European colonial rule but in the next two decades most colonies in Asia and Africa emerged as Free, Independent Nations.
- The IMF and the World Bank were designed to meet the financial needs of the Industrial Countries.

- Most developing countries did not benefit from the fast growth that the Western economies experienced in the 1950s and 1960s therefore, they organized themselves as a group—the Group of 77 (or G-77)—to demand a New International Economic Order (NIEO).
- By the NIEO they meant a system that would give them real control over their natural resources, more development assistance, fairer prices for raw materials and better access for their manufactured goods in developed countries' markets.
- The Industrial World was hit by unemployment that began rising from the mid-1970s and remained high until the early 1990s.
- From the late 1970s., MNCs also began to shift production operations to low-wage Asian countries, China being one of them.
- China became an attractive destination for investment by foreign MNCs, competing to capture world markets.
- The relocation of industries to low-wage countries stimulated world trade and capital flows.



Know the Terms

- **Globalisation:** Globalisation is generally associated with economy as the free movement of capital, goods, technology, ideas and people across the globe. Globalisation in a broader sense also includes cultural exchanges between different countries of the world.
- **Silk Route:** The route taken by traders to carry silk cargoes from China to the West, which affected cultures of China, Central Asia and the West.
- **Cowrie:** A Hindi word meaning 'Sea shells'. These were used in the ancient world as a form of currency.
- **Coolies:** Indian indentured labourers were referred to as coolies in the Caribbean Islands.
- **Corn Laws:** British laws which imposed restrictions on the Import of Corn.
- **Dissenter:** One who refuses to accept established beliefs and practices.
- **Indentured labour:** A bonded labourer under contract to work for an employer for a specific amount of time, to pay off his passage to a new country or home.
- **Industrial War:** Economic activities concerned with the processing of raw materials and manufacture of goods in factories, e.g., the use of Machine guns, Tanks, Aircraft, Chemical weapons, etc.
- **Hire Purchase:** A system by which a buyer pays for a thing in regular instalments while enjoying the use of it.
- **The Great Depression:** A drastic decline in the world economy resulting in mass unemployment and widespread poverty that began around 1929 and lasted till the mid-1930s.
- **Bank Loan:** An amount of money loaned at interest by a Bank to a borrower, usually on collateral security, for a certain period of time.
- **Allies:** Before the First World War, Britain, France and Russia later joined by U.S.A. formed an alliance and fought together in the First World War.
- **Central Powers:** An alliance formed by Germany, Austria, Hungary and Ottoman Turkey, who fought together in the First World War.
- **Axis Powers:** Germany, Italy and Japan were known as Axis Powers during the Second World War.
- **El Dorado:** The fabled city of gold.
- **Exchange Rates:** They link national currencies for the purposes of International trade. There are broadly two kinds of exchange rates, namely, fixed exchange rate and floating exchange rate.
- **Fixed Exchange Rates:** The rates which are officially fixed by the government and do not vary with change in demand and supply of Foreign Currency.
- **Flexible or Floating Exchange Rates:** These rates fluctuate depending on demand and supply of Foreign Currencies in Foreign Exchanges Markets, in principle without interference by governments.
- **Tariff:** Tax imposed on a country's imports from the rest of the world. Tariffs are levied at the point of entry, i.e., at the Border or at the Airport.
- **Hosay:** A riotous carnival in Trinidad (for Imam Hussain) where workers of all races and religions joined to celebrate.
- **Plantation:** Estate for cultivation of cash crops such as tea, coffee, cotton, tobacco, sugarcane, etc.
- **MNCs:** Multinational Corporations (MNCs) are large companies that operate in several countries at the same time.
- **IMF:** It is also termed as International Monetary Fund, The Bretton Woods Institution. It was established to deal with external surpluses and deficits of its member nations.

- **IBRD:** It is abbreviated as the International Bank for Reconstruction and Development (popularly known as the World Bank). It was set up to finance Post-war reconstruction.
- **G-77:** G-77 or Group of 77 refers to the seventy seven developing countries that did not benefit from the fast growth western economies experienced in 1950s and 1960s.

Know the Dates

- **3000 BCE:** An active coastal trade linked the Indus Valley Civilization with present day West Asia.
- **15th Century:** Existence of Silk Routes.
- **Mid 16th Century:** Portuguese and Spanish conquest and Colonisation of America.
- **1845 - 1849:** Potato Famine in Ireland. During this famine, around 1,000,000 people died of starvation in Ireland.
- **1885:** The big European powers met in Berlin to complete the carving up of Africa between them.
- **1890:** Global agricultural economy took shape.
- **1890s:** Rinderpest (Cattle Plague) had a terrifying impact on livelihoods of the African people and the local economy.
- **1892:** Rinderpest reached Africa's Atlantic coast.
- **1900s:** Indian nationalist leaders began opposing the system of Indentured Labour Migration as abusive and cruel.
- **1914-1918:** The First World War was fought.
- **1921:** Indentured labour was abolished.
- **1923:** America resumed exporting capital to the rest of the world and became the largest Overseas Lender.
- **1929-1935:** The Great Depression.
- **1939-1945:** The Second World War was fought.
- **July, 1944:** The United Nations Monetary and Financial Conference was held at Bretton Woods in New Hampshire, USA.
- **1947:** The IMF and the World Bank commenced financial operations.
- **1949:** The Chinese Revolution.
- **The Late 1970s:** MNCs began to shift production operations to low-wage Asian countries.

THEME: THE WORLD OF THE LIVING UNIT II: WORLD OF LIVING

CHAPTER-3 THE AGE OF INDUSTRIALIZATION

Revision Notes

Industrialization in Britain

Proto-Industrialization

- Proto-Industrialization was the stage when large scale industrial production took place in the absence of modern factories for the International Market.
- Acquisition of colonies and the expansion of trade in the 16th and 17th centuries led to greater demands for goods.
- In 1900, a popular music publisher E.T. Paull produced a music book that had a picture on the cover page, which shows a goddess-like figure bearing the flag of the new century, standing on a wheel with wings to symbolise

time and her flight is taking her into the future. Floating behind her are the signs of progress: railway, camera, machines, printing press and factory.

- The history of industrialization is a story of development and the modern age is the time of technological developments.
- Before the factories were started in England and Europe, there was large scale industrial production for the international market. This was not based on factories. Many historians now refer to this phase of industrialization as Proto-industrialization.
- This Proto-industrial system was controlled by merchants and the goods were produced by a vast number of producers working within their family farms, not in factories.

Coming up of the Factories:

- After the Industrial Revolution, the new machines and steam power were used in place of animal and manual power for producing the things. The revolution replaced the Cottage Industry by factories.
- The earliest factories in England were set up by 1730s.
- Richard Arkwright created the cotton mill. Cotton and metal were the most dynamic industries in Britain.
- Growing at a rapid pace, cotton was the leading sector in the first phase of industrialization up to the 1840s.
- The Industrial workers were known as factory workers.
- The worker in the mid-nineteenth century was a traditional craftsperson and labourer.
- Textile was a dynamic sector, but a large portion of the output was produced not within factories, but outside, within domestic units.
- Before the introduction of machines in industries, silk and cotton goods from India dominated the international market in textiles.

The pace of Industrial change:

- The process of industrialization was rapid. It is evident due to the following reasons:
 - Cotton was the leading sector in the first phase of industrialization.
 - Textile was a dynamic sector.
 - Ordinary and small innovations were the basis of growth in many non-mechanised sectors such as food processing, building, pottery, glasswork, furniture making and production of implements.
 - Technological changes occurred slowly. They did not spread dramatically across the industrial landscape.

Hand labour and steam power:

- In Victorian Britain, there was no shortage of human labour.
- During this period, the upper classes – the aristocrats and the bourgeoisie – preferred things produced by hand.
- In countries with labour shortage, industrialists were keen on using mechanical power so that the need for human labour can be minimised.
- The abundance of labour in the market affected the lives of workers.
- Seasonality of work in many industries meant prolonged periods without work.
- The fear of unemployment made workers hostile to the introduction of new technology.
- When the Spinning Jenny was introduced in the Woollen Industry, women who survived on hand spinning began attacking the new machines.
- Silk and cotton goods from India dominated the international market in textiles much before the advent of machine industries.
- A variety of Indian merchants and bankers were involved in the network of export trade – financing production, carrying goods and supplying exporters.
- By the 1750s, the Indian merchants lost their control on Exports and the European companies gradually gained power by two ways:
 - By securing a variety of concessions from Local Courts.
 - Through the Monopoly Rights to trade.
- The trading ports of Surat and Hooghly declined and Bombay and Calcutta emerged as new ports which indicated the growth of Colonial Power.
- In order to have regular supplies of goods for export, the East India Company first established political power so that it could assert a monopoly right to trade.

- In order to eliminate the existing traders and brokers connected with the cloth trade, to develop a system of management and control that would eliminate competition, control costs and ensure regular supplies of cotton and silk goods, the East India Company took two steps:
 - They appointed a paid servant called the Gomastha to supervise weavers, collect supplies and examine the quality of cloth.
 - It prevented Company weavers from dealing with other buyers by making it compulsory for those who took loans that they had to handover the cloth they produced to the gomastha.
- Due to the development of cotton industries in England, the industrial groups worried about the imports from the other countries and thus, pressurised the government to impose import duties on cotton textiles.
- The Industrialists also persuaded the East India Company to sell British manufactured goods in Indian Markets as well.
- Cotton Weavers in India faced two problems at the same time:
 - Their export market collapsed.
 - The local market shrank due to Manchester imports.
- When the Civil War broke out, cotton supplies were cut off from the US and thus, Britain turned towards India.
- The raw cotton exports from India increased which led to the inflation. It affected the weavers who were starved of supplies and were forced to buy raw cotton at exorbitant prices.

Industrialization in India

Age of Indian Textiles:

- The First Cotton Mill in Bombay came up in 1854 and it went into production two years later.
- Around the same time jute mills came up in Bengal, the first being set up in 1855.
- In north India, the Elgin Mill was started in Kanpur in the 1860s and a year later the First Cotton Mill of Ahmedabad was set up.
- From the late eighteenth century, the British in India began exporting opium to China and took tea from China to England.
- In Bengal, Dwarkanath Tagore made his fortune from the trade with China before he turned to industrial investment, setting up six joint-stock companies in the 1830s and 1840s.
- In Bombay, Parsis like Dinshaw Petit and Jamsetji Nusserwanji Tata built huge industrial empires in India by accumulating their wealth partly from exports to China and partly from Raw Cotton Shipments to England.
- The European merchant-industrialists had their own Chambers of Commerce which Indian businessmen were not allowed to join.
- With the expansion of factories, the demand for workers increased. Peasants and artisans, who found no work in the village, went to the Industrial Centres in search of work.
- Getting jobs was always difficult so the industrialists usually employed a Jobber to get new recruits.
- A Jobber was an old and trusted worker. He got people from his village, ensured them jobs, helped them settle in the city and provided them with money in times of crisis. The Jobber therefore, became a person with some authority and power.

The Peculiarities of Industrial Growth:

- European Managing Agencies established tea and coffee plantations, acquired land at cheap rates from the Colonial Government and they invested in mining, indigo and jute.
- As the Swadeshi Movement gathered momentum, nationalists mobilised people to boycott foreign cloth.
- Industrial Groups organised themselves to protect their collective interests, pressurising the Government to increase tariff protection and grant other concessions.
- During the First World War, British mills became busy in the production of uniforms for the army and thus, suddenly India had a big market to supply.
- Due to the prolonged war, Indian factories were called upon to supply war needs: jute bags, cloth for army uniforms, tents and leather boots, horse and mule saddles and a host of other items.
- Unable to modernise and compete with the US, Germany and Japan, the economy of Britain crumbled after the War.
- Where the large industries were dominant in Bombay and Bengal, small scale industries were also growing up in the rest of the country.

- Due to technological changes, the weavers started using looms with a fly shuttle which increased productivity per worker, speeded up production and reduced labour demand.
- In order to market the cloth manufactured by the British in the Indian market, the Manchester industrialists used labels like 'Made in Manchester'.

Know the Terms

- **Industrialization:** It is the process by which an economy is transformed from primarily agricultural to one based on the manufacturing of goods.
- **Proto-Industrialization:** Period before or beginning of Industrialization.
- **Industrial Revolution:** The revolution that replaced the cottage industry by the factories.
- **Spinning Jenny:** This machine was invented by James Hargreaves in 1764. It speeded up the spinning process and reduced labour demand.
- **Gomasthas:** They were the paid servants who were appointed by the East India Company to supervise weavers, collect supplies and examine the quality of cloth.
- **Fuller:** A person who 'fuls' i.e., gathers cloth by pleating.
- **Stapler:** A person who 'staples' or sorts wool according to its fibre.
- **Sepoy:** An Indian soldier in the service of the British.
- **Dyer:** A person who dyes fabrics.
- **Jobber:** A person employed by the industrialists to get new recruits for the mills.
- **Carding:** The process in which fibres, such as cotton or wool, are prepared prior to spinning.
- **Entrepreneurs:** The persons, who make money by starting or running businesses, especially when this involves taking financial risks.
- **Guild:** An association of Craftsmen or Merchants following the same craft. These guilds protected the interests of the members and supervised the quality of the product and work.
- **Metropolis:** A large and densely populated city of a country or a state, often the capital of the region.
- **Vagrant:** A person who has no home or jobs, especially one who begs.
- **Fly Shuttle:** It is a mechanical device used for weaving, moved by means of ropes and pulleys. It places the horizontal threads (called the weft) into the vertical threads (called the warp).

Know the Dates

- **1600:** Establishment of the East India Company.
- **1730s:** The earliest factories in England came up.
- **1764:** James Hargreaves invented the Spinning Jenny.
- **1771:** Richard Arkwright created the First Cotton Mill.
- **1781:** James Watt patented the Steam Engine.
- **1781:** Matthew Boulton manufactured the new model of the Steam Engine.
- **1830-1840s:** Dwarkanath Tagore set up six joint stock companies in Bengal.
- **1854:** The first cotton mill was set up in Bombay.
- **1855:** The first jute mill was established in Bengal.
- **1856:** The first cotton mill in Bombay started production.
- **1863:** London underground railway started operation.
- **1874:** The first spinning and weaving mill of Madras began its production.
- **1900:** Music publisher E. T. Paull produced a Music Book.
- **1912:** J. N. Tata set up the first iron and steel plant in India at Jamshedpur.
- **1917:** Seth Hukumchand, a Marwari businessman, set up the first Indian jute mill in Calcutta.

UNIT II: Contemporary India - II**CHAPTER-1
MANUFACTURING INDUSTRIES****Revision Notes****Manufacturing Industries – Introduction,
Location and Classification****Introduction**

- Manufacturing is the production of goods in large quantities after processing raw materials into more valuable products. Industries that manufacture finished products from primary materials are called Manufacturing Industries.
- **Importance of Manufacturing**
 - Manufacturing Industries help in modernizing agriculture, which forms the backbone of our economy.
 - Manufacturing Industries also reduce the heavy dependence of people on agricultural income because of the creation of new jobs in secondary and tertiary sectors.
 - Industrial development helps in eradication of unemployment and poverty.
 - Export of manufactured goods expands trade and commerce and brings in much needed foreign exchange.
 - A country with a high level of manufacturing activities becomes prosperous.
- **Contribution of Industry to National Economy**
 - The share of manufacturing sector in the GDP (Gross Domestic Product) has stagnated at 17% over the last two decades.
 - The total contribution of industry to the GDP is 27% out of which 10% comes from mining, quarrying, electricity and gas.
 - The growth of the manufacturing sector had been 7% in the last decade. Since 2003, the growth rate has been 9 to 10% per annum. The desired growth rate over the next decade is 12%.
 - The National Manufacturing Competitiveness Council (NMCC) has been set with the objectives of improving productivity through proper policy interventions by the government and renewed efforts by the industry.
- **Factors which Affect the Industrial Location**
 - Availability of raw materials.
 - Availability of labour.
 - Availability of capital.
 - Availability of power.
 - Availability of market.
 - Infrastructure.

Manufacturing Industry and Urbanisation

- A Manufacturing Industry promotes the urbanisation of its neighbourhood. Already urbanised areas also attract industries, since they provide ready facilities for transport, banking, labour, consultancy, etc. If an urban centre offers sufficient facilities and advantages, several industries come together to form an industrial agglomeration. These industries together form an agglomeration economy.
- Before Independence, most industries in India were located in port cities to enable easy overseas trade.

Classification of Industries**1. On the basis of raw materials:**

- (i) **Agro-Based Industries:** Cotton, woollen, jute, silk textile, rubber, sugar, tea, coffee, etc.
- (ii) **Mineral-Based Industries:** Iron and steel, cement, aluminium, petrochemicals, etc.

2. On the basis of their main roles:

- (i) **Basic or Key Industries:** These industries supply their products or raw materials to manufacture other goods, *e.g.*, iron and steel, copper smelting, aluminium smelting.
- (ii) **Consumer Industries:** These industries produce goods which are directly used by consumers, *e.g.*, sugar, paper, electronics, soap, etc.

3. On the basis of capital investment:

- (i) **Small Scale Industry:** If the invested capital is more than 25 Lakhs, then the industry is called a Small Scale Industry.
- (ii) **Large Scale Industry:** If the invested capital is more than ₹1 crore, then the industry is called a Large Scale Industry.

4. On the basis of ownership:

- (i) **Public Sector:** These industries are owned and operated by government agencies, *e.g.*, SAIL, BHEL, ONGC, etc.
- (ii) **Private Sector:** These industries are owned and operated by individuals or a group of individuals, *e.g.*, TISCO, Reliance, Mahindra, etc.
- (iii) **Joint Sector:** These industries are jointly owned by the government and individuals or a group of individuals, *e.g.*, Oil India Limited.
- (iv) **Cooperative Sector:** These industries are owned and operated by the producers or suppliers of raw materials, workers or both. The resources are pooled by each share holder and profits or losses are shared proportionately. AMUL which is Milk Cooperative is a good example. The Sugar Industry in Maharashtra is another example.

5. On the basis of bulk and weight of raw materials and finished goods:

- (i) **Heavy Industries:** Iron and Steel.
- (ii) **Light Industries:** Electronics Industry

Agro-Based Industries

Agro-Based Industries

- Industries based on agricultural raw materials are called agro based industries. For example, cotton textiles, jute textiles, woollen textiles, silk textiles, synthetic textiles, sugar industry, etc.

Types of Agro Based Industries**1. Textile Industry:**

- The textile industry contributes 14% to industrial production in India.
- 35 million people are directly employed in the textiles industry in India.
- In terms of employment generation, this industry is the second largest after agriculture.
- It earns approximately 24.6% of the foreign exchange.
- The contribution of textiles industry to GDP is 4%.
- This is the only industry in the country which is self-reliant and complete in the value chain.

(i) Cotton textiles: It occupies a unique position in the Indian economy, contributes 14% of industrial production.

- Provides employment to 35 million people directly.
- Earlier the cotton textile industries were located in Maharashtra and Gujarat.
- Today, they are spread over 80 towns and cities of India.
- Scarcity of good quality cotton, obsolete machinery, erratic power supply, low productivity of labour and stiff competition are some of the problems faced by the cotton textiles industry.
- The industry provides a source of livelihood to farmers, cotton ball pluckers and workers engaged in ginning, spinning, weaving, dyeing, designing, packaging, tailoring and sewing.
- India has world class production in spinning but weaving supplies low quality of fabrics as it cannot use much of the high quality yarn produced in the country.

(ii) Jute textiles: There are about 80 Jute Mills in India and most of these are located in West Bengal, mainly in the Hugli basin.

- India is the largest producer of raw jute and jute goods in the world.
- India is the second largest exporter of jute goods after Bangladesh.
- Most of these mills are located in West Bengal; mainly along the banks of river Hooghly.
- The jute industry is in a narrow belt which is 98 km long and 3 km wide.

2. Sugar Industry: India is the second largest producer of sugar in the world.

- It is the largest producer of Gur and Khandsari.
- They are spread over Uttar Pradesh, Bihar, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh, Gujarat, Punjab, Haryana and Madhya Pradesh.

- Sixty percent mills are in UP and Bihar.
- This industry is seasonal and hence, is more suited to the cooperative sector.
- In recent years, there has been a growing tendency to shift and concentrate in the southern and western states, especially in Maharashtra.
- The cane produced in this region has higher sucrose content. The cooler climate of this region ensures a longer crushing season.

Mineral Based Industries

Mineral Based Industries

- Manufacturing industries that use minerals as raw material are called mineral-based industries. The iron and steel industry is the basic industry on which all other industries depend. The production and per capita consumption of steel is a measure of a country's economic development.

Types of Mineral Based Industries

- The main raw materials used in the Iron and Steel Industry are iron ore, coal and limestone. The raw materials and finished products of iron and steel industries are quite bulky; these industries must be located near the mining areas of the required minerals and must be connected by a good transport network.

1. Iron and Steel Industry:

- Iron and steel is the basic industry as all the other industries – heavy, medium and light, depend on it for their machinery.
- It is considered as a heavy industry because all the raw materials, as well as finished goods, are heavy and bulky entailing heavy transportation costs.
- India is an important iron and steel producing country in the world yet, we are not able to perform to our full potential largely due to:
 - (i) High costs and limited availability of coking coal.
 - (ii) Lower productivity of labour.
 - (iii) Irregular supply of energy.
 - (iv) Poor infrastructure.
- China has become the world's largest producer and consumer of steel, leaving India far behind.
- Most steel manufacturing industries are located in the Chota Nagpur Plateau region because of the availability of inexpensive, high-grade raw material and abundant cheap labour.

2. Aluminium Smelting:

- Aluminium Smelting is the second most important metallurgical industry in India. It is used to manufacture aircraft, utensils and wires. Bauxite is the raw material used in the smelters.
- Aluminium Smelting has gained popularity as a substitute for steel, copper, zinc and lead in a number of industries. It exhibits the following properties:
 - (i) Light in weight.
 - (ii) Resistant to corrosion.
 - (iii) A good conductor of heat.
 - (iv) Malleable.
 - (v) Becomes strong when it is mixed with other metals.

3. Chemical Industry:

- The Chemical industry comprises both large and small scale manufacturing units.
- Rapid growth has been recorded in both inorganic and organic sectors.

4. Fertilizer Industry:

- The fertilizer industries are centred around the production of nitrogenous fertilizers (mainly urea) and complex fertilizers which have a combination of nitrogen (N), phosphate (P) and potash (K).
- Gujarat, Tamil Nadu, Uttar Pradesh, Punjab and Kerala contribute towards half of the fertilizer production.

5. Cement Industry:

- Cement is essential for construction activity such as building houses, factories, bridges, roads, airports, dams and for other commercial establishments.
- This industry requires bulky and heavy raw materials like limestone, silica and gypsum.

6. Automobile Industry:

- This industry deals with the manufacturing of trucks, buses, cars, motorcycles, scooters, three-wheelers and multi-utility vehicles.

- These industries are located around Delhi, Gurugram, Mumbai, Pune, Chennai, Kolkata, Lucknow, Indore, Hyderabad, Jamshedpur and Bengaluru.
7. **Information Technology and Electronics Industry:**
- The electronics industry covers a wide range of products from transistor sets to television, telephones, cellular telecom, telephone exchange, radars, computers and many other equipment required by the telecommunication industry.
 - This industry has generated employment in India. Bengaluru is known as the electronic capital of India.

Industrial Pollution and Environmental Degradation

Types of Pollution caused by Industries:

1. **Air pollution:** It is caused by the presence of a high proportion of undesirable gases, such as sulphur dioxide and carbon monoxide. Smoke is emitted by chemical and paper factories, brick kilns, refineries and smelting plants, and burning of fossil fuels lead to air pollution. It adversely affects human health, animals, plants, buildings and the atmosphere as a whole.
2. **Water pollution:** It is caused by organic and inorganic industrial wastes and effluents discharged into rivers. The industries which are mainly responsible for water pollution are paper, pulp, chemical, textile and dyeing, petroleum refineries, tanneries and electroplating industries.
3. **Thermal pollution:** Pollution of water occurs when hot water from factories and thermal plants is drained into rivers and ponds before cooling.
4. **Noise pollution:** It is the propagation of noise with harmful impact on the activity of human or animal life. It results in irritation, anger, cause hearing impairment, increased heart rate and blood pressure.

Steps to Control Environmental Degradation

- One of the most important steps for the control of environmental degradation is treating hot and polluted waste water from industries before releasing it into our rivers and lakes.
- Treated waste water can be recycled for reuse in industrial processes.
- Rainwater harvesting can be used to meet the requirements of water for industrial processes.
- Legal provisions must be made to regulate the use of groundwater for industrial use. Smoke stacks, filters, scrubbers and electrostatic and inertial separators remove a large number of harmful particles from industrial smoke. The emission of smoke itself from industries can be reduced by using more efficient fuels like oil and natural gas in place of coal.
- Industrial and generator silencers, and sound-absorbing material are available to reduce the noise level in industries. Industrial workers can use earphones and earplugs for individual protection of health and hearing .
- National Thermal Power Corporation or NTPC is a major electricity generation and distribution company in India.
- NTPC has demonstrated how conservation of environment and natural resources can happen simultaneously with industrial growth by:
 - (i) Adopting latest technical know how.
 - (ii) Minimising waste.
 - (iii) Providing green cover.
 - (iv) Reducing environmental pollution.
 - (v) Continuous monitoring.

Know the Terms

- **Manufacturing:** Production of goods in large quantities after converting raw materials, components or parts into finished goods.
- **NMCC:** The National Manufacturing Competitiveness Council.
- **Agglomeration Economies:** The industries tend to come together to make use of the advantages offered by urban centres.
- **Entrepreneur:** An innovator of new ideas who sets up a business taking on financial risks in the hope of profit.
- **Large Scale Industries:** Industries which employ a large number of labour in each unit. Example- Cotton Textile Industry.

- **Public Sector Industries:** Industries which are owned and operated by government agencies. Example- BHEL.
- **Agro-Based Industries:** Industries which obtain raw materials from agricultural products. Example- Sugar Industry.
- **Mineral-Based Industries:** Industries that use minerals and metals as raw materials. Example- Iron and Steel Industry.
- **Basic Industries:** Industries, on which depend, many other industries for their manufacturing processes. Example- Iron and Steel Industry.
- **Textile Industries:** Textile is a fabric that is knitted or woven and made from yarn. It is the industry that is responsible for taking raw material like cotton or wool and spinning it into yarn that is later used to create the fabric.
- **Ginning:** The process of separating the seeds from the cotton fibers is known as ginning.
- **Spinning:** It is the twisting together of drawn-out strands of fibers to form a yarn, and is a major part of the Textile Industry.
- **Dyeing:** It is the process of adding colour to textile products like fibers, yarns and fabrics.
- **Khandsari:** It is a type of unrefined raw white sugar made from thickened sugarcane syrup. It is neither bleached nor contains harmful chemicals and additives.
- **Organic Chemicals:** These include petrochemicals, which are used for manufacturing of synthetic fibre, plastics, drugs and pharmaceuticals.
- **Inorganic Chemicals:** These include sulphuric acid, nitric acid, alkalis, soda ash and caustic soda.
- **Air Pollution:** It is caused by the presence of high proportion of undesirable gases, such as sulphur dioxide and carbon monoxide.
- **Water Pollution:** It is caused by organic and inorganic industrial wastes and effluents discharged into rivers.
- **Thermal Pollution:** The pollution caused by the discharge of hot water from factories and thermal plants into rivers and ponds before cooling.
- **Noise Pollution:** It is caused by industrial and construction activities, machinery, generators, electric drills and loudspeakers.



CHAPTER-2

LIFELINES OF NATIONAL ECONOMY



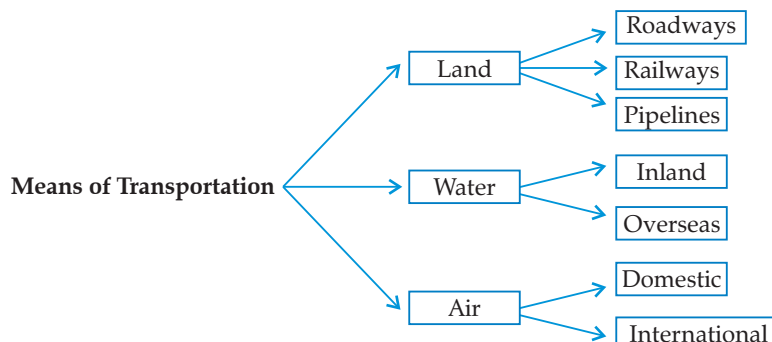
Revision Notes

Means of Transport

Transport

- Transport is a key factor that influences India's rapid economic development.
- Movement of goods and services can be over three important domains of our earth- land, water and air.

Means of Transport



- Based on these, transport can also be classified into the land, water and air transport.

1. **Land Transport:** Land transport includes roadways, railways and pipelines.
 - (a) **Roadways:** India has one of the largest road networks in the world, aggregating to about 54.7 lakh km. In India, Roads are classified in the following six classes according to their capacity:
 - **Golden Quadrilateral Super Highways:** Golden Quadrilateral is a network of Highways connecting India's four top metropolitan cities, namely Delhi, Kolkata, Chennai, Mumbai. These highway projects are being implemented by the National Highway Authority of India (NHAI).
 - **National Highways:** The National highways are a network of trunk roads that are laid and maintained by the Central Public Works Department (CPWD). The historical Sher-Shah Suri Marg is called National Highway No.1, between Delhi and Amritsar.
 - **State Highways:** Roads linking a state capital with different district headquarters are known as State Highways. These roads are constructed and maintained by the State Public Works Department (PWD).
 - **District Roads:** These roads connect the district headquarters with other places of the district. These roads are maintained by the Zila Parishad.
 - **Other Roads:** Rural roads, which link rural areas and villages with towns, are classified under this category. These roads received special impetus under the Pradhan Mantri Grameen Sadak Yojana.
 - **Border Roads:** Border Roads Organisation constructs and maintains roads in the bordering areas of the country. This Organisation was established in 1960 for the development of the roads of strategic importance in the northern and north-eastern border areas.
 - (b) **Railways:** Railways have become more important in India's economy.
 - Railways are the principal mode of transportation for carrying huge loads and bulky goods for long and short distances in India.
 - India has the Second largest Railway Network in Asia and the Sixth largest Railway Network after USA, Russia, Canada, Germany and China.
 - **The Rail transport suffers from certain problems as well, some of them are:**
 - (i) Construction of bridges is required across rivers' wide beds for laying down the railway lines.
 - (ii) The Himalayan mountainous regions are also unfavourable for the construction of railway lines due to the highest elevation points in the surface, sparse population and lack of economic opportunities.
 - (iii) It is difficult to lay railway lines on sandy plains.
 - (iv) The cost of construction is very high.
 - (c) **Pipelines:** These are used to transport water, crude oil, petroleum products and natural gas, fertilizer factories and big thermal power plants.
 - Solids can also be transported through a pipeline when converted into slurry.
 - There are 3 important networks of pipeline transportation in the country.
 - (i) From oil field in upper Assam to Kanpur (Uttar Pradesh).
 - (ii) From Salaya in Gujarat to Jalandhar in Punjab.
 - (iii) From Hazira in Gujarat to Jagdishpur in Uttar Pradesh.
2. **Waterways:** Waterways are the cheapest means of transport.
 - They are most suitable for carrying heavy and bulky goods.
 - It is a fuel-efficient and environment-friendly mode of transport.
 - (i) **Inland waterways:** There are 111 officially notified Inland National Waterways (NWs) in India identified for the purpose of inland water transport, as per The National Waterways Act, 2016.
 - Out of the 111 NWs, 106 were created in 2016.
 - The National Waterways in India are:
 - **N.W. No.1** – On the Ganga river between Allahabad and Haldia (1620 km).
 - **N.W. No.2** – On the Brahmaputra river between Sadiya and Dhubri (891 km).
 - **N.W. No.3** – On the West-Coast Canal in Kerala (Kottappuram-Kollam, Udyogamandal and Champakkara canals-205 km).
 - **N.W. No.4** – Specified stretches of Godavari and Krishna rivers along with Kakinada Puducherry stretch of canals (1078 km).
 - **N.W. No.5** – Specified stretches of river Brahmani along with Matai river, delta channels of Mahanadi and Brahmani rivers and East Coast Canal (588 km).

- (ii) **Overseas:** India's trade with foreign countries is carried from the ports. There are 2 major and 200 notified non-majors (minor/intermediate) ports in India.
3. **Airways:** The airway is the fastest, most comfortable and prestigious mode of transport.
- Air travel has made access easier to the terrain areas like high mountains, dreary deserts, dense forests and long oceans.
 - In 1953, air transport was nationalised.
 - 486 existing airports declared as potential airports for UDAN-RCS.
 - Air India provides domestic and international air services.

Means of Communication

Communication

- Communication is the act of conveying intended meanings from one entity or group to another through the use of mutually understood signs and semiotic rules.
- From the earliest times, human beings have felt the need to communicate with each other. The latest advances in communication are about enabling communication over long distances without the need for change in location of the sender or receiver.

Types of Communication

- **Personal communication:** Personal communication is where just two or a small group of people communicate with each other. Personal letters, e-mails and phone calls are examples of personal communication:
- **Mass communication:** Mass communication is communication referred to an indefinite number of people spread over a large geographical area. Radio, television, cinema, newspapers, magazines and internet, are examples of mass communication.

Major Means of Communication in India

- **Indian Postal Network:** The Indian Postal Network is the largest in the world. It handles parcels as well as personal written communications.
- The services are provided by the Department of Posts of the Government of India.
- The Indian postal service handles both letters and parcels. Postcards and envelopes are classified as first-class mail and are delivered on priority using both air and land transport .
- The Indian postal service has introduced six channels for quicker delivery of letters in large town and cities, called the Rajdhani Channel, Metro Channel, Green Channel, Business Channel, Bulk Mail Channel and Periodical Channel
- **The Telecom Network:** The telecom network in India is the largest in Asia, with about 37,565 telephone exchanges spread all over the country.
- All the urban centres and over two-thirds of Indian villages are now connected with subscriber trunk dialling or STD facility.
- The Government of India has made provisions for 24-hour STD facility in every village of India.
- A uniform rate of STD calls from anywhere in India is possible due to the integration of our space and communication technology development programmes.
- **Mass Communication:** Mass communication provides entertainment and creates awareness among people about various national programmes and policies. It includes radio, television, newspapers, magazines, books and films.
- All India Radio (Akashwani) broadcasts a variety of programmes in regional languages all over India.
- Doordarshan, the national television channel of India, is one of the largest terrestrial networks in the world. Doordarshan broadcasts a variety of programmes from entertainment, news and information to sports and educational programmes, etc., for all age groups .
- Periodicals are publications like newspapers and magazines published at regular intervals, from daily to weekly to monthly to yearly. Daily newspapers in India are published in more than 100 languages and dialects. Hindi has the largest share of newspaper publication, followed by English and Urdu.
- The Indian film industry is the largest producers of feature films in the world and also produces short films and video films. The Central Board of Film Certification, more commonly known as the Censor Board, certifies all Indian and foreign films before they can be released in India.

International Trade and Tourism

Trade

- The exchange of goods between people, companies, states and countries is called trade.
- The Trade within a locality or between towns or villages of a state is called local trade.
- The Trade between the two states is called state level trade.
- The trade between two countries is called International Trade.

Balance of Trade

- Advancement of International Trade is an index of the health of a country's economy and has two components. The goods purchased from other countries are called imports while the goods sold to other countries are called exports. The difference between the exports and imports of a country is called its Balance of Trade.
- When the value of export exceeds the value of imports, it is called a Favourable balance of Trade.
- If the value of imports exceeds the value of exports, it is termed as an Unfavourable Balance of Trade.

Exports from India

- The major products showing a rising trend in exports from India are agriculture and allied products, ores and minerals, gems and jewellery, chemicals and allied products, engineering goods and petroleum products.

Imports to India

- The main categories of products imported into India are petroleum and petroleum products, pearls and gemstones, inorganic chemicals, coal, coke and briquettes and machinery.
- The bulk imports as a group registered a growth accounting for 39.09 per cent of total imports. This group includes fertilisers, cereals, edible oils and newsprint.
- India is a leading software producing country and generates large amounts of foreign exchange through the export of information technology

Tourism

- Tourism is an important form of International Trade.
- More than 15 million people are directly engaged in the Tourism Industry. Tourism in India:
 - (i) Promotes national integration.
 - (ii) Provides support to local handicrafts and cultural pursuits.
 - (iii) Helps in the development of international understanding about Indian culture and heritage.
 - (iv) Foreign tourists visit India for heritage tourism, eco-tourism, adventure tourism, cultural tourism, medical tourism and business tourism.
 - (v) Tourism not only promotes national integration; it also gives a tremendous boost to local handicraft industries and helps foreign tourists to understand and appreciate our cultural heritage.
 - (vi) Foreign tourist's arrivals in the country witnessed an increase of 4.5% during the year 2015 as against the year 2014, thus contributing ₹ 1,35,193 crore of foreign exchange in 2015 .



Know the Terms

- **International Airports:** An International Airport's offers customs and immigration facilities for passengers travelling between countries. Delhi, Mumbai, Kolkata, Chennai, Thiruvananthapuram, Bengaluru, Amritsar, Hyderabad, Ahmedabad, Panaji, Guwahati and Cochin are some major international airports in India.
- **Domestic Airports:** There are 134 airports. The Government owned Airports Authority of India (AAI) operates 122 airports and civil enclaves out of a total of 449 airports and airstrips located throughout India. Airports are managed by the Airport Authority of India.
- **Communication:** The imparting or exchanging of information by speaking, writing or using some other medium, e.g., phones, letters, television, etc.
- **Personal Communication:** It includes Postcards, Letters, Telegrams, Telephones and the Internet.
- **Mass Communication:** It includes Handbooks, Journals, Magazines, Newspapers, Radio, Television and Films. They are of two types: (i) Print media, (ii) Electronic media.

- **First-Class Mail:** Mail that is airlifted between stations.
- **Second-Class Mail:** Mail that is carried by surface covering land and water transport.
- **International Trade:** Trade between two countries is called International Trade.
- **Trade:** Exchange of goods between two parties such as people, states and countries is called Trade.
- **Economic Barometer:** Advancement of international trade of a country is an index to its economic prosperity. It is, therefore, considered the economic barometer for a country.
- **Balance of Trade:** The difference between exports and imports.
- **Favourable Balance of Trade:** If the value of exports is more than the value of imports.
- **Unfavourable Balance of Trade:** If the value of imports is more than the value of exports.
- **Tourism as a Trade:** Tourism promotes national integration and develops an international understanding. It supports local handicrafts and cultural pursuits.



Know the Facts

- **Sea ports:** India has 12 major, 181 medium and minor Sea Ports.
- **Major Ports on the West Coast:** Kandla, Mumbai, Jawaharlal Nehru (Nhava Sheva), Marmagao, New Mangalore and Cochin.
- **Major Ports on the East Coast:** Kolkata, Haldia, Paradip, Visakhapatnam, Chennai, Ennore and Tuticorin.
- **Biggest Port:** Mumbai.



UNIT III: Democratic Politics-II

CHAPTER-1 POLITICAL PARTIES



Revision Notes

Political Parties – An Introduction

What is a political party?

- A political party is a group of people who come together to contest elections and hold power in the government.
- It mobilises voters to support common sets of interests, concerns and goals.
- A political party fixes the political agenda and policies and tries to persuade people by claiming that their policies are better than those of other parties.
- A political party is the means through which people can speak to the government and have a say in the governance of any country.
- **A political party has three components:**
 - The leaders,
 - The active members, and
 - The followers.
- **Functions:**
 - Parties contest elections by putting up candidates.
 - In some countries, candidates are selected by members and supporters of a party, e.g., the USA.
 - In other countries, candidates for contesting elections are chosen by top party leaders, e.g., India.

- Parties put forward different policies and programmes and voters choose from them. In a democracy, a large number of people with similar opinions group together and form a party and then give a direction to the policies followed by the government.
- The parties that lose elections form the opposition and voice different views and criticize the government for their failures and wrong policies.
- They shape public opinion. Parties with the help of pressure groups launch movements for solving problems faced by the people.
- Parties provide people access to government machinery and welfare schemes implemented by the government. For an ordinary citizen, it is easy to approach a local party leader than a government officer.
- **Need for political parties:**
 - The democracies cannot exist without political parties being clear about the functions they perform.
- **If there were no political parties, then:**
 - All candidates in an election would become independent candidates. They cannot promise any major policy changes to the people. No one will be responsible for how the country runs.
 - In large societies, only representative democracy can work. Political parties become an agency to gather different views on various issues and present them to the government.

Types of Party Systems

- **Party systems**
There are three types of party systems:
 - (i) One-party system
 - (ii) Two-party system, and
 - (iii) Multi-party system
 - (i) **One-Party System:** In some countries, only one party is allowed to control and run the government. There is no competition in this system. The mono party nominates the candidates and the voters have only two choices — (a) Not to vote at all or (b) write 'yes' or 'no' against the name of the candidates nominated by the party. This system has been popular in Communist countries and other authoritarian regimes, e.g., China, North Korea and Cuba. This system was also prevalent in USSR till Communism collapsed.
 - (ii) **Two-Party System:** Power changes between two major, dominant parties. In this system, to win elections, the winner has to get a maximum number of votes, but not necessarily a majority of votes. The smaller parties usually merge with the bigger parties or they drop out of elections. This parliamentary system prevails in Great Britain and the United States of America, in which only two parties hold a significant number of seats. Supporters of this system believe that this prevents the dangers of fragmentation (too many parties winning seats from different constituencies) and the government can run smoothly.
 - (iii) **Multi-Party System:** It is the most common type of party system. In this system, more than two parties can gain control of the government separately or in the coalition. When no party gains a majority of the legislative seats in a multi-party parliamentary system, then several parties join hands and form a coalition government. Supporters of this system point out that it allows more points of view to be represented in the government. Critics of this system point out that the multi-party system sometimes leads to political instability.
- In this system, an alliance contest's election to win power. Such as, in 2004 and 2009, India had three such alliances for parliamentary elections:
 - National Democratic Alliance,
 - The United Progressive Alliance and
 - Left Front.
- **The Proportion of Participation:**
 - Level of participation in the activities of the parties—very high in India.
 - Advanced countries like Canada, Japan, Spain and South Korea—much less.
 - The proportion of people in India who feel close to a political party is very high—membership of political parties has also gone up.

National and Regional Parties

- Every party in India has to register with the Election Commission. The Commission treats every party as equal to the others, but it offers special facilities to large and established parties.
- They are given a unique symbol and are called, "recognised political parties."

- **A registered party is recognised as a National Party only if it fulfils any one of the following three conditions:**
 - The party wins 2% of seats in the Lok Sabha (as of 2014, 11 seats) from at least 3 different states.
 - At a general election to Lok Sabha or Legislative Assembly, the party polls 6% of the total valid votes in at least four states and in addition it wins 4 Lok Sabha seats.
 - A party gets recognition as a State Party in four or more states.
- **Introduction to Major Political Parties in India:**
 - **Indian National Congress (INC):** Indian National Congress (INC) was founded in 1885. After Independence, it became free India's premier political party. In the first five general elections held, Congress virtually controlled the politics of the country.
 - **Bharatiya Janata Party (BJP):** Created in 1980, it champions the socio-religious values of India. Since its formation, the BJP has been a strong rival of the Indian National Congress. It is now in government and the leading party within the National Democratic Alliance (NDA).
 - **Bahujan Samaj Party (BSP):** The Bahujan Samaj Party is a party formed to represent the OBCs, SCs, STs and religious minorities, those at the bottom of India's caste system. The BSP was formed in 1984 by two leaders, Kanshi Ram and Mayawati. It draws inspiration from the teachings of Shahu Maharaj, Mahatma Phule, Periyar Ramaswami Naicker.
 - **Communist Party of India - Marxist (CPI-M):** The Communist Party of India (Marxist), usually known as CPI-M, split from the Communist Party of India in 1964. It believes in Marxism-Leninism and supports socialism, secularism and democracy. It opposes imperialism and communalism. Its supporters are farmers, agricultural labourers and intelligentsia.
 - **Communist Party of India (CPI):** It was formed in 1925, believes in Marxism-Leninism, secularism and democracy. It is opposed to the forces of communalism and secessionism. It believes that parliamentary democracy helps the interests of farmers, the working class and the poor.
 - **Nationalist Congress Party (NCP):** It was formed on May 25, 1999, by Sharad Pawar, P. A. Sangma and Tariq Anwar after they were thrown out of the Congress Party. NCP has major support in Maharashtra state. The NCP claims that it supports democracy, Gandhian secularism, equity, social justice and federalism.
- **State or Regional Political Parties:**
 - Regional parties need not be regional in their ideology or outlook. Some of these parties are all Indian parties that happen to have succeeded only in some states.
 - Parties like the Samajwadi Party, (Janata Dal-United) Samta Party and Rashtriya Janata Dal have a national level political organisation with units in several states.
 - Some of these parties like Biju Janata Dal, Sikkim Democratic Front and Mizo National Front are conscious about their state identity.

Challenges and Reforms

- **Lack of internal democracy within parties**
 - Power concentrated in the hands of one or few leaders at the top.
 - No organisational meetings. No keeping of membership registers.
 - No internal, regular elections.
 - Ordinary members do not have access to information. So, they cannot influence decisions.
 - Disagreement with the leadership leads to ouster from the party.
- **Dynastic succession**
 - Leaders on top have an unfair advantage to favour people close to them or family members.
 - Top positions controlled by family members of one family in most parties.
 - Bad for democracy.
 - Tendency is seen all over the world, even in the older democracies.
- **Money and muscle power**
 - During election's this power is very visible.
 - Candidates who can raise money are nominated.
 - Rich people and companies who give funds have an influence on policies.
- **Parties do not offer a meaningful choice to the voters.**
 - There is not much difference in ideology among parties. Example: Labour Party and Conservative Party of Britain. They only differ on details of implementation rather than fundamental principles.
 - In India also there is not much difference among parties on economic issues.
- **Reform:**
 - As political parties face these challenges, there is a growing need to reform the system. Some of the reform measures taken by the government are: Anti-defection law, affidavit requirement and organisational meetings for political parties.

- **Some suggestions made to reform political parties and their leaders:**
 - A law should be made to regulate the internal affairs of political parties. It should be made compulsory for political parties to maintain a register of their members, follow their own constitution and hold open elections to the highest posts.
 - It should be made mandatory for political parties to give a minimum number of tickets, about one-third, to women candidates.
 - There should be state funding of elections. The government should give parties money, petrol, paper, telephone, etc., to support their election expenses.

Know the Terms

- **Political party:** A political party is a group of people with a definite agenda and who come together to contest elections and hold power in the government.
- **Election:** An election is a formal group decision-making process by which a population chooses an individual to hold public office.
- **One-party system:** One-party system is a political system in which only one party controls and runs the government.
- **Bi-party system:** Bi-party system is a type of system in which power alternates between two parties only. The party that gets the majority forms the government and the other party forms opposition.
- **Coalition government:** A coalition government is generally formed in a multi-party system, when no single party wins a majority of seats then many parties get together based on compromise and tolerance.
- **An Alliance:** When several parties in a multi-party system join hands for the purpose of contesting elections and winning power, it is called an alliance or a front.
- **National party:** A party that secures at least 6% of the total votes in Lok Sabha elections or wins four seats in the Lok Sabha is recognized as a national party.
- **Regional party:** All parties, other than the six national parties, are classified as state parties by the Election Commission of India. They are also called regional parties.
- **Defection:** Changing party allegiance from the party on which a person got elected (to a legislative body) to a different party.
- **Affidavit:** A signed document submitted to an office where a person makes a sworn statement regarding his/her personal information including property and criminal cases pending against him.
- **Election Commission:** An autonomous constitutional authority responsible for administering election processes in a country.

••

CHAPTER-2 OUT COMES OF DEMOCRACY

Revision Notes

How do We Assess Democracy's Outcomes?

- **Is Democracy a better form of government when compared with dictatorship or any other alternative?**
Democracy is better because:
 - It promotes equality among citizens.
 - It enhances the dignity of the individual.
 - It improves the quality of decision-making.
 - It provides a method to resolve conflicts.
 - It allows room to correct mistakes.

➤ **Is the Democratic government efficient? Is it effective?**

- Imagine that other forms of government may take decisions very fast. But it may take decisions that are not accepted by the people and may, therefore, face problems.
- Democracy is based on the idea of deliberation and negotiation. So, some delay is bound to take place.
- In contrast, the democratic government will take more time to follow procedures before arriving at a decision.
- But because it has followed procedures, its decisions may be both more acceptable to the people and more effective.

➤ So, the cost of time that democracy pays is perhaps worth it.

➤ **Outcomes out of every Democracy:**

- As a political outcome of Democracy, we expect an accountable, responsive and legitimate government.
- As an economic outcome, we expect that democracies produce economic growth and development, and reduce poverty and inequality.
- As a social outcome, we expect democracy to accommodate the social diversity in a society, and provide dignity and freedom to all citizens.

Political Outcomes

➤ **Democracy is an accountable, responsive and legitimate government:**

- Democracy ensures that decision-making is based on norms and procedures. So, a citizen has the right and the means to examine the process of decision-making. This is known as transparency. Democracy follows standard procedures and is accountable to the people.
- Democratic governments have a very good record when it comes to sharing information with citizens and are much better than any non-democratic regime in this respect. Democracy is attentive to the needs and demands of the people and is largely free of corruption.
- There is one respect in which democratic government is certainly better than its alternatives. Democratic government is a legitimate government. It may be slow, less efficient, not always very responsive or clean. But a democratic government is the people's own government.

Economic Outcomes

➤ **Economic growth and development**

- Economic development depends on several factors—country's population size, global situation, cooperation from other countries, economic priorities adopted by the country, etc.
- However, the difference in the rates of economic development between less developed countries with dictatorships and democracies is negligible.
- Overall, we cannot say that democracy is a guarantee of economic development. But we can expect democracy not to lag behind dictatorships in economic development.

➤ **Democracy reduces economic inequality and poverty**

- Democracies have growing economic inequalities. A small number of ultra-rich enjoy a lion's share of wealth and those at the bottom of the society have very little to depend upon and find it very difficult to meet their basic needs of life, such as food, clothing, house, education and health.
- Democratically elected governments address the question of poverty by making various welfare schemes to remove poverty.
- Democracies not only make welfare schemes but also give reservations for socially and economically backward people in jobs, elections and educational institutions.

Social Outcomes

- **Democracy accommodates social diversity**
 - Democracies usually develop a procedure to accommodate various social groups. This reduces the possibility of social tensions becoming explosive or violent.
 - No society can fully and permanently resolve conflicts among different groups. But democracy is best to handle social differences, divisions and conflicts.
- **An example of Sri Lanka reminds us that democracy must fulfil two conditions to achieve an accommodation of social divisions:**
 - It is necessary to understand that democracy is not simply ruled by the majority opinion. The majority always needs to work with the minority so that governments function to represent the general view.
 - It is also necessary that rule by the majority does not become rule by the majority community in terms of religion or race or linguistic group, etc. Rule by majority means rule by the majority's choice.
- **Democracy promotes the dignity and freedom of the citizens**
 - Democracy stands much superior to any other form of government in promoting the dignity and freedom of the individual by providing Fundamental Rights. Every individual wants to receive respect from fellow beings.
 - The passion for respect and freedom is the basis of democracy. Democracies throughout the world have recognised this, at least in principle. This has been achieved in various degrees in various Democracies.
 - Take the case of the dignity of women, most societies across the world were historically male-dominated societies.
 - Long struggles by women have created some sensitivity today that respect for equal treatment of women is necessary ingredient of a Democratic society.
 - Democracy in India has strengthened the claims of the disadvantaged and discriminated castes for equal status and equal opportunity.
- **Conclusion**
 - A Democracy always strives towards a better goal. People constantly demand more benefits in a Democracy. There are always more expectations.
 - People now look critically at the work of those who hold power, the rich. They express their dissatisfaction loudly. It shows they are no longer subjects but citizens of a Democratic country.



Know the Terms

- **Dictatorship:** Under Dictatorship, all the powers are vested in a single person or in a group of people.
- **Legitimate government:** Legally chosen government is called a Legitimate government.
- **Transparency:** To examine the process of decision making in a Democracy.
- **Accountable government:** The government is elected by the people and therefore responsible to them.
- **Responsive government:** The government in which people have the right to know the process of decision-making.
- **Economic Development:** It is the development of economic wealth of countries, regions or communities for the well-being of their inhabitants.
- **Dictatorship:** A form of government in which one person or a small group possesses absolute power without effective constitutional limitations.
- **Economic Inequality:** It is the difference found in various measures of the economic well-being among individuals in a group, among groups in a population or among countries.
- **Social Diversity:** It is all of the ways that people within a single culture are set apart from each other. Elements of social diversity can include ethnicity, lifestyle, religion, language, tastes and preferences.
- **Social Divisions:** When social differences amongst different communities increase and one community are discriminated against because of the differences, it becomes a social division. For example, the social difference between the upper castes and lower castes becomes a social division as the Dalits are generally poor and face injustice and discrimination.

UNIT IV: Understanding Economic Development

CHAPTER-1 MONEY AND CREDIT



Revision Notes

Money and Credit

Introduction

- In the early times, people used to exchange one commodity for another, depending on their requirement under the Barter System. However, exchanging goods in the barter system required a double coincidence of wants.
 - Barter system was used in ancient times for the exchange goods. It was a system where one commodity, product or some goods was exchanged for another. For instance, if a person has 1 kg of sugar and he wants to have 1 kg of jaggery in exchange for that, he can exchange the same if there is someone who is willing to exchange jaggery for sugar. This process was called a commodity for commodity exchange.
- However, money eliminates the need for double coincidence of wants. Since money enables the exchange process, it is also called a medium of exchange.
 - **Limitations of Barter Exchange:**
 1. Lack of Double Coincidence of Wants
 2. Lack of Common Measure of Value
 3. Lack of Standard of Deferred Payment
 4. Lack of store of value
- Money is anything which is commonly accepted as a medium of exchange and in the discharge of debts.
- Before the introduction of coins, a variety of objects were used as money. For example, since the very early ages, Indians used grains and cattle as money. Thereafter, came the use of metallic coins—gold, silver, copper coins.
- **Modern currency:**
 - Modern forms of money include
 - currency — paper notes and coins.
 - money is as deposits with banks.

The other forms is which people hold.
- In India, the Reserve Bank of India is the only legal authority that can issue currency notes and coins on behalf of the Central Government. The rupee is India's currency and nobody can refuse to accept a payment made in rupees in India.
- People deposit their additional cash in the bank. A bank in addition to accepting deposits, also pays interest on the deposit to the depositor. Thus, bank deposits are also called demand deposits.
- A person simply needs to have an account with the bank to deposit money. A cheque can be used to make payment directly from a bank deposit without using cash.
- A cheque is a written instruction to a bank by an account holder to pay a specific sum to a specific person from his deposit. A cheque has all the information about the person to whom payment is to be made, the amount and date of payment and signature of account holder issuing the cheque.

Credit Terms and Types

- As per the Reserve Bank of India, banks hold about 15% of their deposits as cash to arrange for daily withdrawals by depositors.
- A major portion of the remaining deposits is used by banks to give loans to people. The depositors of a bank are allowed to withdraw their deposits on demand and are paid interest on their deposits. The borrowers taking loans to repay it to the bank along with interest.

- The interest charged on loans is more than the interest paid by the banks on deposits. The difference between the interest charged on loans and the interest paid on deposits is the bank's income or profit.
- The loan given by a bank is also referred to as a credit.
- Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.
- The idea behind Self-Help Groups is to organise the rural poor into self-help groups and collect their savings. Members can take small loans from the group itself to meet their own needs.
- A typical SHG has 15-20 members who meet and save regularly. Saving per member varies from Rs 25 to Rs 100 or more, depending on the ability of the people to save.
- **A loan or credit is subject to certain conditions that the borrower must agree to. These conditions are called terms of credit and include:**
 - A specified rate of interest.
 - Security against the loan to recover the money if the borrower fails to repay it. This security is called collateral.
 - The assets accepted as collateral are land or property, vehicles, livestock, standing crops and bank deposits.
 - A borrower needs to submit certain documents like proofs of identity, residence, employment and income to avail a loan.
 - The lender reserves the right to sell the collateral in case of non-repayment to recover the loan amount.
- Collateral is an asset that the borrower owns (such as land, building, vehicles, livestock etc.) and uses this as a guarantee to the lender until the loan is repaid.
 - Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit.
- **The different sources of credit are:**
 - Banks
 - Traders
 - Cooperative societies
 - Landlords
 - Moneylenders
 - Relatives and friends
- **Formal and Informal Credit**
 - Formal credit is generally available with the banks and cooperatives. They charge lesser rates of interest than informal institutions. The Reserve Bank of India (RBI) supervises the functioning of the formal sources of loan.
 - Informal lenders include moneylenders, traders, employers, relatives and friends, etc. They charge much higher interest on loans. There is no one to stop them from using unfair means to get their money back.



Know the Terms

- **Barter System:** Barter refers to the direct exchange of goods and services. In this way, the barter system refers to the system by which one commodity is exchanged for another without the use of money.
- **Money:** Money may be anything chosen by common consent as a medium of exchange. It can be in the form of coins and bank notes collectively.
- **Cheque:** A cheque is a paper instructing the banks in writing to pay a specific amount from the person's account to the person in whose name the cheque has been issued.
- **Reserve Bank of India:** The Reserve Bank of India is the only legal authority that can issue currency notes and coins on behalf of the central government.
- **Investment:** Investment is the amount of money spent with the intention of earning income at regular intervals (in the form of return from funds invested) or in the long run (in the form of capital appreciation).
- **Credit:** Credit means giving money on loan to needy persons.
- **Financial Formal Institutions:** Commercial banks, cooperatives and the regional rural banks are the formal institutions of credit.
- **Financial Informal Institutions:** The informal framework for the deployment of credit and savings in India comprises the local moneylenders, landlords, self-help groups, chit fund, employers, relatives, friends and private finance companies.

- **Commercial Bank:** A commercial bank is an establishment for safe custody of money, which it pays out on customer's demand order or otherwise. In other words, institutions accepting deposits and issuing loans are called commercial banks.
- **Loans:** A loan is usually given for a specific duration of time and needs to be completely repaid by a specified date.
- **Collateral:** Collateral is the security provided by a borrower (such as land, building, vehicle, livestock, deposits with banks) against a loan, and it can be sold in case of non-payment of loan.
- **Fixed Deposits:** These are deposits for a fixed term varying from a frequency of a few days to a few years.
- **Actual Investment:** The actual amount of investment is called an actual investment.
- **Deferred Payments:** Payments which are to be made in the future are known as deferred payments.
- **Token coins:** Token coins are the coins where value as money is far above the value of metal contained in it.
- **Short-term loans:** Loans given for a short period of time are known as short-term loans.



CHAPTER-2

GLOBALISATION AND THE INDIAN ECONOMY

Revision Notes

Globalisation

- Globalisation means integrating or interconnecting the economy of a country with the economies of other countries under conditions of free flow of trade, services, technology, capital and movement of people across international borders.
- Integration of markets in different countries is known as foreign trade.
- **Planning Commission in India has laid emphasis on the development of foreign trade in the five year plans due to the following reasons:**
 - A country can make efficient use of its natural resources.
 - It can export its surplus production.
 - Further, through effective regularisation of foreign trade, employment, output, prices and industrialisation; economic development of a country can properly accelerate.
- Investment made by multinational corporations (MNCs) is called foreign investment.
- MNCs are playing a major role in the process of rapid integration or interconnection between countries. Now more regions of the world are in closer contact with each other than a few decades back.
- MNCs play an important role in the Indian economy by setting up production jointly with some of the local companies. For example, MNCs can provide money for additional investments like buying new machines for faster production. Take another example—Cargill Foods, a very large American MNC, has bought smaller Indian companies such as Parakh Foods.
- Rapid improvement in information and communication technology has been one major factor that has stimulated the globalisation process. To access information instantly and to communicate from remote areas, devices such as telephones, mobiles and computers are very useful. Further, it has played a major role in spreading out production of services across countries.

Globalisation and its Impact

- Impact of globalisation on the country is manifold. This can be understood by the following examples.
- MNCs have increased their investment over the past 15 years, which is beneficial for them as well as for Indians also.

This is because these MNCs provide employment opportunities to the masses and local companies supplying raw material to these industries have prospered. But globalisation has failed to solve the problem of poverty and it has widened the gap between the rich and the poor. Only skilled and educated class has been benefited from globalisation.

- There is a greater choice for consumers, with a variety of goods available at cheap prices. Now they enjoy a much higher standard of living.
- Liberalisation of economy means to free it from direct or physical controls imposed by the government. In other words, removing barriers or restrictions set by the government is what is known as liberalisation.
- Let us see the effect of foreign trade through the example of Chinese toys in the Indian market. Chinese toys have become more popular in the Indian market because of their cheaper prices and new designs. Now Indian buyers have a greater choice of toys and at lower prices. Simultaneously, Chinese toy makers get the opportunity to expand business. On the other side, Indian toy makers face losses.
- World Trade Organization (WTO) was started at the initiative of developed countries. The main objective of the World Trade Organization is to liberalise international trade. At present, 164 countries (since July 2016) are members of the WTO.
- At present, central and state governments in India are taking special steps to attract foreign companies to invest in India. For this, Special Economic Zones (SEZs) are being set up. Special Economic Zones have world class facilities – electricity, telecommunication, broadband internet, roads, transport, storage and recreational facilities to attract investment from MNCs and other companies.

Challenges and Factors that Enabled Globalisation

- Globalisation and liberalisation have posed major challenges for small producers and workers.
- Small manufacturers have been hit hard due to the competition. Several of the units have been shut down rendering many workers jobless.
- Around 20 millions of workers are employed in small industries. Because of growing competition, most employers these days prefer to employ workers flexibly. This means that workers have no secure jobs. This can be explained with the help of an example- 35 year old Sushila got a job after searching for six months. She is a temporary worker. She did not get any benefit such as provident fund, medical allowance, bonus, etc.
- A day off from work means no wage.
- Competition among the garment exporters has allowed the MNCs to make large profits, but workers are denied their fair share of benefits brought about by globalisation.
- **The government can take steps to ensure that the benefits of globalisation reach everyone:**
 - Formulate labour laws that are effective and watertight to ensure the rights of workers.
 - Have policies to protect the interests of the small producers against the MNCs.
 - Trade barriers to protect the domestic economy from foreign trade and unfair competition from developed countries.
 - Align with other developing countries to negotiate with WTO to impose trade restrictions like imposition of tariff and quotas.
- **Factors that enabled globalisation:** Rapid improvement in technology and liberalisation of foreign trade have been major factors that has enabled globalisation process.
- **Factors that supported globalisation in India are as follows:**
 - Reduction of trade barriers with a view to allowing free flow of goods to and from other countries.
 - Involvement of various local producers with MNCs in various ways.
 - Some of the large Indian companies like Tata Motors, Infosys (IT), Ranbaxy, Asian Paints, etc., emerged as MNCs and start working globally.



Know the Terms

- **Globalisation:** Globalisation describes a process by which national and regional economies, societies and cultures have become integrated through the global network of trade, communication, immigration and transportation.
- **Planning Commission:** The Planning Commission was an institution in the Government of India, which formulated India's Five-Year Plans, among other functions.

- **Multinational Corporation (MNC):** An enterprise operating in several countries, but managed from one (home) country. Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation.
- **MRTPA:** MRTPA stands for Monopolies and Restrictive Trade Practices Act. It was an Act following the recommendations of Monopoly Inquiry Committee and was passed in 1970.
- **World Bank:** World Bank is an international financial institution that extends financial assistance to their member countries for development purposes.
- **Export Quotas:** It means the fixing of the maximum quantity of a commodity that can be exported during a year.
- **Import Quotas:** It means fixing of the maximum quantity of a commodity that can be imported during a year.
- **Consumer:** An individual who buys products or services for personal use and not for manufacture or resale.
- **Liberalisation of Economy:** It means to free it from direct or physical controls imposed by the government.
- **World Trade Organization (WTO):** It is the only global international organisation dealing with the rules of trade between nations.
- **Special Economic Zones (SEZs):** It is an area in which business and trade laws are different from the rest of the country. These are located within a country's national borders and their aims include increased trade, increased investment, job creation and effective administration.
- **Tariff:** A tax or duty to be paid on a particular class of imports or exports.
- **Labour Law:** It is the body of laws, administrative rulings, and precedents which address the legal rights of and restrictions on, working people and their organisations. It is also called employment law.

●●