Background Guide

Historical Crisis Committee

SMIS MUN

Letter from the Executive Board

Greetings delegates,

It is with great pleasure that we welcome you to the Historical Crisis Committee at SMISMUN 2026. For this iteration, we will be simulating the Great Depression of 1929 and its aftermath. This committee will challenge you not only as diplomats and negotiators, but as students of history tasked with confronting one of the most consequential economic crises the world has ever seen.

This is not a conventional committee. You will not be debating abstract policy in a vacuum. You will be inhabiting a world mid-collapse, where every decision carries weight and every alliance is fragile. The events that brought your delegation to this conference have been months, even years, in the making. Your task is to understand not just your position, but the web of pressures, debts, and dependencies that connect every actor in this room.

We encourage you to engage deeply with your portfolio, to think beyond your immediate national or institutional interest, and to approach debate with both the urgency the moment demands and the historical empathy it deserves. The people your delegates represent were not villains or heroes. They were individuals navigating an unprecedented catastrophe with incomplete information and enormous pressure.

We look forward to what promises to be an extraordinary conference.

Best regards,

The Executive Board.

Co-Chairperson - Mannan Sarda
Co-Chairperson - Rusheel Alla

World Economic Emergency Conference, 1931

Guidelines

• Read the entirety of the background guide in the order it was written. Make sure to highlight the names of specific treaties, documents, resolutions, conventions, international bodies, events and any other specific incidents so that you can get back to them later and do a lot more thorough research .

• Understand some of the basic details regarding the country that you've been allotted whether this be the capital, current affairs regarding geopolitical situation, political hierarchy etc. While not strictly necessary, you never know when this can turn out to be handy. Geography Now's A - Z Country List has been a particularly helpful resource for this.

• Use a search engine of your choice to create as many tabs as possible for the highlighted terms from your background guide. Wikipedia or a YouTube video act as a great way to get a brief summary of the incidents at hand but such sources (especially Wikipedia articles) cannot be used in committee as sources.

• Delve into deeper research regarding the particular position of your allocation with the agenda at hand.

• The Executive Board may ask for the source of a statement that a delegate makes in committee either during a Point of Order circumstance or if said statement stands to be of interest to the Executive Board. Therefore it is recommended that delegates keep track of their sources when making / disputing a claim and also ensure their validity. Please do remember that while you as a delegate are allowed to cite any source you wish during committee.

Foreign Policy and Foreign Relations

Foreign policy, in simple terms, is what your country aims to achieve in regards to the issue at hand or in general with its relations with other countries.

1. What role must foreign policy play in your research?

Understanding the foreign policy of your country must be a checkbox that you tick off at the very beginning of your research.

Your foreign policy should dictate everything from the arguments you make, the reasoning you give for making those arguments, and the actions you take in the Council.

2. Where do I look to find foreign policy?

Most of the time, foreign policy is not explicitly stated. It must be inferred from the actions and statements issued by the country. Reading the meeting records from previous meetings of UNSC (or any other UN body where your country might have spoken on the issue) is a great place to start.

If such records are unavailable, look for statements from your country’sForeign Ministry (or equivalent like Ministry of External Affairs, Ministry for Foreign Affairs etcetera) and top leadership (PM, Pres., Secretary of State, Defense Minister).

Foreign Relations on the other hand refers to the diplomatic ties that one country has with another and considers elements such as the mutual presence of embassies, consulates, ambassadors & diplomatic dialogue. More often than not, foreign policy is what will be of your primary concern during your MUN but it is important to also consider any extremities in your allotted country's foreign relations.

Rules of Procedure

ROP, or rules of procedure are the set rules to be followed whilst in committee session. Rules of procedure are generally the same for all simulated conferences, and some parts can be amended based on the executive board of that specific conference. Since the ROP is universally followed, the link below will take you to a cheat sheet which you can use for future reference as well.

Rules of Procedure.pdf

An introduction to a Historical Crisis Committee.

A Historical Crisis Committee (HCC) is a form of MUN committee that places delegates inside a specific moment in history, asking them to engage with real events, real actors, and real dilemmas — but with the freedom to steer outcomes differently from how history actually unfolded.

Unlike a standard General Assembly committee, where delegates represent countries debating contemporary issues, an HCC asks you to inhabit a specific person or institution at a specific point in time. Your research must therefore go beyond policy positions — you need to understand your character's personality, their relationships, their constraints, and the information they would realistically have had access to at that moment. Anachronistic knowledge — knowing, for instance, how the Depression eventually ended — should inform your preparation but must never be deployed as if your character also knows it.

The goal of an HCC is not to recreate history perfectly, but to understand it deeply enough to engage with its turning points meaningfully. The best HCC delegates don't just know what happened — they understand why it happened, and can therefore argue convincingly for a different path.

How Does the Alternate Timeline Work?

This committee operates on an accelerated and partially alternate historical timeline. What this means in practice is the following.

History proceeds as it actually occurred up until the committee's freeze date of July 1931. The events of 1929–1931 — the Crash, Smoot-Hawley, the Creditanstalt collapse, the Hoover Moratorium — are fixed. Delegates cannot undo what has already happened. What they can do is shape everything that comes after.

Once the conference convenes, the direction of history is in the delegates' hands. The primary mechanism for this is the directive or communiqué — a formal written communication submitted by a delegate or bloc of delegates to the Executive Board, detailing a specific action they wish to take. This could be a bilateral agreement struck on the sidelines of the conference, a unilateral policy decision by a government, a joint institutional statement, or any other concrete action within the realistic scope of your portfolio.

The Executive Board will evaluate each directive and carry out its consequences to the best of their ability, feeding outcomes back into the committee through crisis updates. The more realistic, well-reasoned, and politically feasible a directive is, the more likely it is to produce its intended effect. Directives that overreach the realistic authority of a delegate's portfolio, or that ignore the political constraints of the moment, may produce unintended consequences.

Delegates are encouraged to think carefully about what their character can actually do, not just what they wish would happen. A Finance Minister cannot unilaterally restructure another country's debt. A private bank representative cannot compel a government to act. But a well-crafted coalition directive, grounded in the realities of 1931, can change the world.

Basic Rules of Procedure (UNA-USA)

This committee follows the UNA-USA Rules of Procedure. What follows is a brief overview of the most essential rules for delegates who may be newer to this format.

The Speakers' List

The default mode of debate. Delegates add their name to a running list and deliver formal speeches of a set time when called. The Speakers' List is always open unless the committee has moved into another mode of debate.

Moderated Caucus

A delegate may motion for a Moderated Caucus, specifying a total time and individual speaking time (e.g. 10 minutes total, 60 seconds per speaker). The Chair calls on delegates directly. Used for focused, thematic debate on a specific sub-topic.

Unmoderated Caucus

An open floor period where delegates may move freely, hold side conversations, and negotiate informally. Essential for building blocs and drafting directives with other delegations. A delegate motions for an Unmod specifying a total time.

Directives and Communiqués

These are the primary action mechanism of this committee and replace the Working Paper and Draft Resolution format used in standard GA committees. A directive is a written communication submitted to the Executive Board detailing a specific action a delegate or group of delegates wishes to take. There is no formal voting procedure attached to directives — their weight and feasibility are assessed by the Executive Board, who will reflect their consequences in subsequent crisis updates. **Delegates are encouraged to be specific, realistic, and strategic in what they request.**

Points

- **Point of Order** — raised when a delegate believes correct procedure is not being followed.
- **Point of Personal Privilege** — raised when a delegate's ability to participate is impaired (e.g. cannot hear the speaker).
- **Point of Inquiry** — raised to ask the Chair a question about procedure.
- **Point of Information** — raised to pose a direct question to another delegate who has just finished speaking, if permitted by the Chair. The Chair retains full discretion over whether to allow Points of Information at any given moment, and delegates may decline to answer.

A Note on Resolution of Committee

This committee does not follow a fixed endpoint or culminate in a formal vote on a single resolution. Crisis committees are by nature open-ended — the conference concludes when the Executive Board determines that the crisis has reached a sufficiently resolved or transformed state, or when the allotted time concludes. The measure of success in this committee is not a passed resolution but the quality, creativity, and realism of the decisions delegates make along the way.

Crisis Updates

The Executive Board may introduce a Crisis Update at any point, pausing debate to inform the committee of a new development. These updates reflect both the pre-set trajectory of historical events and the consequences of delegate directives. Delegates are expected to respond to updates within the flow of debate.

Introduction to the Crisis: A World in Debt

By the summer of 1931, the global economy is unravelling at a speed that has outpaced the ability of any single government or institution to respond. What began in October 1929 as a dramatic collapse in American stock prices has metastasised into something far more dangerous — a systemic crisis of credit, confidence, and international cooperation that now threatens the economic foundations of the entire industrialised world.

The origins of this crisis are not simple. They stretch back to the First World War, which left Europe buried under a complex web of war debts and reparations. Germany owes reparations to France and Britain. Britain and France owe war debts to the United States. The United States, flush with capital in the 1920s, recycled that money back to Germany in the form of private loans — a fragile circular system that depended entirely on continued American lending and continued German growth.

When Wall Street collapsed in 1929, that circular flow stopped. American banks called in loans, American consumers stopped buying European goods, and the Smoot-Hawley Tariff Act of 1930 slammed the door on international trade. European economies, already weakened, began to buckle. In May 1931, Austria's largest bank — the Creditanstalt — collapsed, sending shockwaves through the Central European banking system and threatening to pull Germany, Hungary, Romania, and others into the abyss.

The gold standard, long considered the bedrock of international monetary stability, is now a trap. Countries tied to gold cannot expand their money supplies to stimulate their economies without risking a run on their reserves. Yet abandoning gold risks destroying the confidence of international creditors entirely. There is no easy exit.

It is against this backdrop that the world's leading economic powers and institutions have convened this emergency conference. The questions on the table are urgent and deeply contested: Should Germany's reparations be suspended? Can a coordinated international lending facility be established to halt the banking contagion? Should the gold standard be reformed, suspended, or abandoned? And who bears the cost of stabilisation — creditors or debtors, governments or banks?

There are no easy answers. But the cost of failure is one the world cannot afford.

Timeline of Events

- **1919** — Treaty of Versailles establishes German reparations obligations. War debts between European allies and the United States create a fragile web of international credit dependency.

- **1924** — The Dawes Plan restructures German reparations and opens the door to large American private loans flowing into Germany, temporarily stabilising the European economy.

- **1928** — The Young Plan further restructures reparations, reducing Germany's total obligation. However, American lending to Europe begins to slow as Wall Street speculation intensifies domestically.

- **October 1929** — The Wall Street Crash. The Dow Jones loses nearly 25% of its value in two days. American banks begin recalling foreign loans. Consumer confidence collapses.

• **Early 1930** — The US economy contracts sharply. President Hoover, believing the crisis to be temporary, resists calls for federal intervention and instead urges voluntary cooperation from industry and banks.

• **June 1930** — The Smoot-Hawley Tariff Act is signed into law, raising tariffs on over 20,000 imported goods to record levels. Trading partners retaliate. Global trade begins a catastrophic contraction.

• **Late 1930** — The Bank of the United States collapses in December, one of the largest bank failures in American history. Panic spreads through regional American banks. European creditors watch with alarm.

• **Early 1931** — Unemployment in the United States exceeds 15%. Germany's economy is in freefall, with unemployment approaching 30%. Political extremism is rising across Central Europe. The fragility of the international system is becoming impossible to ignore.

• **May 1931** — The Creditanstalt, Austria's largest and most systemically important bank, declares insolvency. The shock immediately spreads to Hungary and threatens Germany's already weakened banking system. International credit markets begin to seize.

• **June 1931** — President Hoover proposes a one-year moratorium on all intergovernmental war debts and reparations payments, in an attempt to relieve pressure on Germany and stabilise the European banking system. France initially resists.

• **July 1931** — The World Economic Emergency Conference convenes. — FREEZE DATE

FREEZE DATE:

16th July, 1931

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1. Introduction to the Committee

A Historical Crisis Committee (HCC) takes a unique place in an MUN, and places delegates inside a specific moment in history, asking them to engage with real events, real actors, and real dilemmas, but with the freedom to steer outcomes differently from how history actually unfolded.

The Great Depression serves as an absolutely impeccable setting for a HCC. The committee is going to be extremely fast paced, with you, the delegates, receiving "updates" frequently, based completely on your actions in committee, and the directives you write. The ideas and strategies you come up with, may lead to a cascading effect, leading to more outcomes, or even solutions for the problem you originally intended to solve in the first place. If you are unfamiliar with the Rules of Procedure for a Crisis Committee, there is no reason to be worried. You will find an RoP document in the pages above, and we will go through a pretty extensive explanation of how things work in a committee of this nature.

Unlike a standard General Assembly committee, where delegates represent countries debating contemporary issues, an HCC asks you to inhabit a specific person or institution at a specific point in time. Your research must therefore go beyond policy positions. You need to understand your character's personality, their relationships, their constraints, and the information they would realistically have had access to at that moment. Anachronistic knowledge. Knowing, for instance, how the Depression eventually ended, should inform your preparation but must never be deployed as if your character also knows it.

The goal of an HCC is not to recreate history perfectly, but to understand it deeply enough to engage with its turning points meaningfully. The best HCC delegates don't just know what happened. They understand why it happened, and can therefore argue convincingly for a different path.

2. What is a Global Economic Crisis?

A global economic crisis can be simply understood as an event which affects the global economy in a way that it sees an extreme downturn, affecting multiple regions of the world, if not all, at the same time. These crises have a trigger point, such as the failures of banks across the country, or the crashing of the stock market, or issues like prolonged recessions in major economies. Take the [REDACTED] for example. It was primarily caused by the crash of the [REDACTED], and the event had a direct impact on causing the unemployment rates to reach 25% in [REDACTED] , led to one-third of the [REDACTED] population being in poverty by the 1930s, and caused around 9,000 banks to fail in the [REDACTED] alone.

One of the biggest features of a crisis of this nature is the emergence of financial instability across various markets, causing banks to face a liquidity crisis, i.e. the banks usually fundtheir long term loans with short term liabilities, but in this case run out of funds to do thesame, the issuance of debts also crashes, causing credit markets to freeze, and stock markets rise and fall violently in a short period of time.

Global economic crises also affect international markets, a prime example being the [REDACTED] again, in which the international trade volume fell by 60%. With a decline in purchasing power or deflation, the demand for foreign commodities decreases exponentially, meaning that there are fewer imports purchased and less exports sold, causing a downfall in the international trade volume. These crises prove to be devastating for countries which are export oriented, crippling their economy to a large extent. Another point to note during the

Great Depression, is that as a result of existing United States tariffs, other countries followed suit. 41% of the collapse in world trade from 1929 to 1932 was due to discretionary escalations of the tariffs.

2.2 Credit Crisis of 1772

The credit crisis of 1772, was kickstarted by the collapse of the London banking house Neal, James, Fordyce, and Down. This collapse was majorly due to the speculative activities of Alexander Fordyce, one of its partners, who had engaged in stock market decisions that were inherently risky. Fordyce heavily shorted the shares of the East India Company, which means that the trader, Fordyce in this case, borrows shares from a broker and immediately sells them with the expectation that the share price will fall shortly after. However, the stock prices rose instead and caused Fordyce to incur massive losses. Facing enormous debt, Fordyce fled to France, leaving behind the firm and his creditors, which left his partners and the bank unable to meet their debts.

Fordyce's absence triggered a panic in London's financial markets. Depositors and creditors, fearing for the safety of their funds,withdrew their money from other banks immediately, leading to a series of bank runs. The panic grew beyond London to other major financial hubsin Europe, such as Amsterdam, etc. These regions were majorly affected due to their large financial ties with Britain. Dutch banks had significant investments in British securities and were heavily involved in financing trade in Britain, and the crisis hit them severely. The sudden withdrawal of credit and the collapse of trust among financial institutions caused widespread economic disruption. Merchants without the necessary credit to fund their trades were left stranded, which erupted into rifts in commerce and trade flows, especially between Britain and its trading partners in Europe and the American colonies.

The crisis immediately caused a severe liquidity deficit. Banks, faced with massive withdrawals and a loss of confidence, stopped extending credit to the public. It helped expose the shortcomings of the banking system, prominently the dangers of over-leverage, which lead to a downward financial spiral, and speculative investments, which are inherently risky business. This led to a demand for reforms in the banking sector, which pushed for a more prudent banking environment, in which all risks that were taken could be calculated, and also led to the earliest financial regulations coming into play. Governments and financial institutions began to understand the need for better risk management and a stricter approach and oversight of financial activities.

2.3 Indian Economic Crisis, 1991

India's payment crisis of 1991 was the joint result of a multitude of factors, such as the bunching of repayment dues on external loans, the Gulf War, fiscal laxity, defence purchases, and so on. At the bottom of all this was the underlying current of international confidence, or the lack of it, in the Indian economy. The payments crisis of 1990-91 was not due simply to a deterioration in the trade account; it was accompanied by other adverse developments on the capital account reflecting the loss of confidence in the government's ability to manage the economy. India's economic policies were also plagued with high tariffs, import licensing, and heavy regulation under the "License Raj" which essentially meant that the government had full control over how businesses functioned, and these businesses required a licence to operate. These policies effectively stomped down on competition, innovation, and efficiency, leading to low productivity and slow economic growth.

By 1990, India’s fiscal deficit had ballooned to 8.4% of GDP, driven by high public spending, subsidies, and inefficiencies in state-owned enterprises, compounded by substantial government borrowing both domestically and externally. Concurrently, India’s currentaccount deficit stood at 3.2% of GDP in 1990-91, up from 2.2% in 1985-86, financed largely through short-term external borrowing which heightened the country’s susceptibility to external shocks. By 1991, India’s external debt had reached nearly $70 billion, with a significant portion being short-term debt, thus creating a precarious debt servicing situation.

This fiscal and external imbalance was further exacerbated by a sharp increase in oil prices due to the Gulf War of 1990-91, which strained the balance of payments further. As a result, India’s foreign exchange reserves plummeted to $1.2 billion by June 1991, barely sufficient to cover two weeks of imports, compelling the country to airlift gold to the Bank of Englandand the Union Bank of Switzerland to raise $600 million as an emergency measure to stabilise the economy.

There was a natural tendency for India's trade balance to deteriorate, as the total factor productivity, or how much output can be produced from a certain amount of inputs. This underlying trend was then heavily exacerbated by multiple factors as mentioned above, causing this underlying trend to turn into a complete payments crisis. The macroeconomic stabilisation measures undertaken during the 1991 economic crisis included a series of urgent steps to restore fiscal and external balance. In July 1991, the Indian government devalued the rupee by approximately 18-19% against the U.S. dollar in two stages, a strategic move designed to make Indian exports more competitive and reduce the import bill, thus improving the balance of payments position. To achieve fiscal consolidation, the government committed to reducing the fiscal deficit by cutting subsidies, particularly on petroleum and fertilisers, and by curbing public expenditure. The 1991-92 budget introduced tax reforms aimed at broadening the tax base and improving tax compliance. Additionally, the Reserve Bank of India (RBI) implemented monetary tightening by raising interest rates to curb inflation and stabilise the currency. These measures successfully reduced inflation from a peak of 17% in August 1991 to 8.1% by the end of 1992. Structural reforms complemented these stabilisation efforts, with the abolition of the industrial licensing system for most industries, effectively ending the "License Raj." This deregulation was intended to foster competition, encourage private investment, and stimulate industrial growth, with industrial output recovering to a 4.4% growth rate by 1992, following a contraction of 0.1% in 1991. The government also pursued trade liberalisation by dismantling import quotas and progressively reducing tariffs, cutting average import tariff rates from over 80% in 1990 to 25% by 1995, significantly enhancing India's trade performance. Financial sector reforms included the deregulation of interest rates, reduction in statutory liquidity ratio (SLR) and cash reserve ratio (CRR) requirements, and opening up the banking sector to private and foreign banks, all aimed at improving the efficiency of financial intermediation. Furthermore, the government initiated a disinvestment program, partially divesting its stakes in public sector enterprises to enhance their efficiency and reduce the fiscal burden.

The reforms of 1991 had a transformative impact on the Indian economy. GDP growth, which had fallen to a mere 1.1% in 1991-92, rebounded to 5.3% in 1992-93 and averaged around 6% annually throughout the 1990s. The fiscal deficit was reduced from 8.4% of GDP in 1990-91 to 5.9% in 1993-94, while the current account deficit was brought down to 0.3% of GDP by 1993-94, highlighting the success of the stabilisation measures. Foreign exchange reserves, which had been critically low during the crisis, increased steadily due to rising foreign investment and a surge in exports, reaching $25.2 billion by 1995. The liberalisation of the economy also led to a significant increase in foreign direct investment (FDI) inflows, which grew from less than $100 million in 1990-91 to over $3.5 billion by 1997-98, reflecting improved investor confidence. The crisis and subsequent reforms had significant social implications as well. While the removal of subsidies and reduction in public expenditure led to short-term hardships, particularly for the poor and vulnerable sections of society, the long-term benefits of higher growth, increased employment opportunities, andimproved living standards were substantial. By the late 1990s, poverty rates began to decline, and India’s human development indicators showed gradual improvement, underscoring the broad-based impact of the reforms on the socio-economic landscape of the country.

2.4 Global Economic Crisis, 2007

The global economic crisis of 2007-09, commonly referred to as the Great Recession, was a cataclysmic event that reshaped the economic landscape worldwide. It exposed significant structural weaknesses in global financial systems, precipitated widespread economic contraction, and led to unprecedented government interventions. This crisis originated primarily from the United States housing market but quickly evolved into a global financial meltdown due to the interconnected nature of modern financial systems. This analysis explores the causes, progression, and impacts of the crisis, emphasising its social and economic repercussions with a detailed examination of the relevant data.

The roots of the crisis can be traced to the early 2000s, when a combination of low interest rates, lax lending standards, and financial innovation contributed to a significant expansion of credit. The Federal Reserve's decision to maintain low interest rates in the early 2000s, partly in response to the dot-com bubble burst and the September 11 attacks, encouraged borrowing and risk-taking. This environment fueled a dramatic increase in housing demand, resulting in a bubble characterised by rapidly escalating home prices. Between 2000 and 2006, U.S. housing prices increased by 124%, far outpacing income growth and other economic fundamentals.

Central to the housing bubble was the proliferation of subprime mortgages. By 2006, subprime mortgages accounted for roughly 20% of all new mortgage originations in the United States, a significant increase from just 9% in 2001. These loans were often characterized by adjustable interest rates, high loan-to-value ratios, and minimal borrower scrutiny, creating a pool of highly vulnerable borrowers. Financial institutions packaged these subprime loans into mortgage-backed securities (MBS) and collateralized debt obligations (CDOs), spreading the associated risks across the global financial system.

Data from the U.S. Federal Reserve indicates that the volume of outstanding MBS increased from approximately \$3.2 trillion in 2001 to over \$8.9 trillion by 2007. Similarly, the notional value of credit default swaps, a form of financial derivative used to insure against defaults, soared from \$6.4 trillion in 2004 to \$58.2 trillion in 2007, reflecting the dramatic expansion of financial engineering during this period. The complexity and opacity of these instruments meant that financial institutions were often unaware of the full extent of their exposure to subprime mortgages.

The risk assessments of these financial products were frequently flawed. Credit rating agencies, which played a pivotal role in the securitization process, routinely assigned high ratings to MBS and CDOs that were, in reality, highly susceptible to defaults. For example, data from Moody's and Standard & Poor's revealed that over 70% of AAA-rated subprimeMBS issued in 2006 were downgraded to junk status by 2009. This misrepresentation of risk significantly undermined investor confidence and contributed to the eventual collapse of these markets.

The first signs of distress appeared in 2006, when U.S. housing prices began to stagnate and then decline, causing a surge in mortgage defaults. By 2007, over 1.3 million properties in the U.S. were subject to foreclosure filings, an increase of 79% from the previous year. This trend continued, with foreclosure filings peaking at 2.9 million in 2010. As defaults increased, the value of MBS and CDOs plummeted, leading to massive write downs by financial institutions. In 2008, the crisis reached a critical point. The collapse of Bear Stearns in March 2008, following the failure of two of its hedge funds heavily invested in subprime mortgages, was an early indicator of the systemic risks embedded within the financial system. However, it was the bankruptcy of Lehman Brothers in September 2008 that marked the tipping point.

Lehman's failure, representing over $600 billion in assets, was the largest bankruptcy in U.S. history and triggered a global panic. Interbank lending markets froze, as banks hoarded liquidity amid fears of counterparty risk, leading to a dramatic contraction in credit availability.

The effects of the crisis were not confined to the financial sector. U.S. GDP contracted by 4.3% from its peak in 2007 to its trough in mid-2009, and industrial production fell by 17%. Unemployment soared, reaching 10% in the U.S. in October 2009, equating to 15.4 million unemployed individuals. Globally, the World Bank estimated that world GDP contracted by 1.7% in 2009, with advanced economies experiencing a sharper decline of 3.4%. In Europe, GDP fell by 4.1% in the Eurozone, with countries such as Ireland, Greece, and Spain experiencing even more severe downturns. The stock markets reflected the severity of the crisis. The S&P 500 index, a broad measure of U.S. equity markets, lost approximately 57% of its value from its peak in October 2007 to its trough in March 2009. The impact was similarly devastating in other major financial markets, with the FTSE 100 in the UK and the Nikkei 225 in Japan also experiencing significant declines.

The Great Recession had far-reaching economic and social consequences. Beyond GDP contraction and rising unemployment, the crisis significantly impacted public finances. Governments around the world implemented massive fiscal stimulus packages to support their economies and rescue failing financial institutions. In the U.S., the Troubled Asset Relief Program (TARP) injected $700 billion into the banking sector, while the Federal Reserve's balance sheet expanded from $900 billion in 2007 to over $2.3 trillion by 2009 through its quantitative easing programs. The crisis also had profound social implications. In the U.S., homeownership rates fell from 69% in 2006 to 63% by 2016, reflecting the loss of homes to foreclosure. Wealth inequality widened as the stock market recovery disproportionately benefited wealthier individuals who held financial assets, while lower- and middle-income households saw slower recoveries in income and employment. In Europe, austerity measures implemented to address rising public debt levels led to cuts in publicservices and social welfare programs, exacerbating social inequality and leading to significant political unrest. For instance, Greece's unemployment rate peaked at 27.5% in 2013, while youth unemployment exceeded 50% in several European countries.

In response to the crisis, governments and central banks implemented a range of monetary and fiscal policies aimed at stabilising financial markets and stimulating economic recovery. Central banks, including the Federal Reserve, the European Central Bank (ECB), and the Bank of England, reduced interest rates to near zero and introduced quantitative easing to provide liquidity and support lending. The Federal Reserve's actions included the purchase of over $1.25 trillion in mortgage-backed securities, which helped to stabilise the housing market. The U.S. government also implemented the American Recovery and Reinvestment Act (ARRA) in 2009, a $787 billion stimulus package that included tax cuts, unemployment benefits, and infrastructure spending. In Europe, the ECB eventually adopted a series of unconventional monetary policy measures, including long-term refinancing operations (LTROs) and outright monetary transactions (OMTs), to address sovereign debt crises in the Eurozone.

Regulatory reforms were another critical aspect of the policy response. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was a comprehensive U.S. response aimed at reducing systemic risk, increasing transparency, and protecting consumers. It introduced stricter capital requirements, mandated stress testing of banks, and established the Consumer Financial Protection Bureau (CFPB) to oversee consumer finance markets. Similarly, the Basel III international regulatory framework was developed to enhance the resilience of the global banking sector by increasing capital adequacy requirements and introducing new liquidity and leverage ratios.

The global economic crisis of 2007-09 underscored the systemic risks inherent in financial innovation and the critical importance of robust regulatory oversight. While the immediate policy responses helped to stabilize financial markets and prevent a deeper depression, the legacy of the crisis continues to shape economic policy and debate. The slow and uneven recovery from the Great Recession highlighted the limitations of monetary policy in addressing structural economic issues, such as inequality and stagnant wage growth.

Moreover, the crisis prompted a re-evaluation of economic models and theories, leading to a greater emphasis on financial stability, macroprudential regulation, and the recognition of the interconnectedness between financial markets and the real economy. The reforms implemented in the wake of the crisis have made the financial system more resilient, but challenges remain, particularly in the areas of shadow banking, financial technology, and sovereign debt. The Great Recession serves as a stark reminder of the vulnerabilities in the global financial system and the need for vigilant, proactive regulatory oversight. As new economic challenges arise, including those associated with climate change, digital currencies, and geopolitical tensions, the lessons of the 2007-09 crisis will remain relevant in shaping the future of global economic governance.

The global economic crisis of 2007-09 was not merely a financial event but a profound economic and social disruption that reshaped the global landscape. Its origins in the housing market, the subsequent financial contagion, and the responses it provoked have left an indelible mark on the world economy. While significant progress has been made in addressing the vulnerabilities that led to the crisis, the enduring impacts underscore the necessity for continued vigilance, international cooperation, and a commitment to building a more resilient and inclusive global economic system.

3.Timeline

1919

The Treaty of Versailles has been signed, imposing heavy reparations on Germany and establishing a fragile web of war debts between the European Allies and the United States.

1924

The Dawes Plan has restructured German reparations and opened the door to large American private loans flowing into Germany, temporarily stabilising the European economy.

1927

Despite a heavy inflow of gold to the United States through much of the decade, the Federal Reserve Board has pursued an easy money policy, keeping credit cheap even as the US Treasury has continued large repayments of the domestic debt's principal. Commodity prices, however, have failed to rise in step with this abundance of credit, leaving the underlying imbalance masked rather than resolved.

1928

The Young Plan has further reduced Germany's reparations burden. Meanwhile, American lending to Europe has begun to slow as speculative mania grips Wall Street: where millions had once bought Liberty Bonds, tens of millions are now buying shares or speculating on their growth, a pattern observers have likened to the Credit Crisis of 1772.

29 October 1929

Black Tuesday has struck. Stock prices have fallen dramatically, driven by excessive debt-financed stock purchases, global protectionist policies, and slowing economic growth. Billions of dollars have been wiped out as investors frantically sell off their holdings, shattering confidence in the financial markets and triggering a steep decline in consumer spending and investment. As in the Credit Crisis of 1772, the extension of credit has stopped and liquidity in the banks has run dry, setting off a destruction of the economy on a macro scale. Several journalists have termed this the beginning of the “Great Depression”.

Early 1930

The US economy has contracted sharply. President Hoover, believing the crisis to be temporary, has resisted calls for federal intervention, urging voluntary cooperation from industry and banks instead.

June 1930

The Smoot-Hawley Tariff Act has been signed into law, raising tariffs on over 20,000 imported goods to record levels. Trading partners have retaliated in kind, and global trade has begun a catastrophic contraction.

Late 1930

The Bank of the United States has collapsed in December, one of the largest bank failures in American history. Panic has spread through regional American banks, watched with alarm by European creditors.

Early 1931

Unemployment in the United States has exceeded 15%. Germany's economy has been in freefall, with unemployment approaching 30%, compounding the burdens already imposed by Versailles. Political extremism has been rising across Central Europe, and the fragility of the international financial system has become impossible to ignore.

May 1931

The Creditanstalt, Austria's largest and most systemically important bank, has declared insolvency. The shock has immediately spread to Hungary and threatened Germany's already weakened banking system, and international credit markets have begun to seize.

June 1931

President Hoover has proposed a one-year moratorium on all intergovernmental war debts and reparations payments, in an attempt to relieve pressure on Germany. France has initially resisted the proposal, delaying its finalisation.

13 July 1931

Danat-Bank (Darmstädter und Nationalbank), one of Germany's largest private banks, has collapsed under the weight of its exposure to the fraud-ridden textile firm Nordwolle. A full-blown run on the German banking system has followed, forcing the Brüning government to order a two-day bank holiday and impose exchange controls, effectively ending Germany's adherence to the gold standard.

16th July 1931

The World Economic Emergency Conference has convened at the Palais Wilson, Geneva, Switzerland, under the aegis of the League of Nations to deliberate upon the situation, inviting delegations from across the world.

4. Action Orders

4.1 Directives

A directive is a document formatted in a particular manner that provides instructions to your government on a specific plan of action or set of actions. These plans or set of actions must be aimed primarily at advancing your foreign policy and secondarily at resolving the crisis at hand.

The best directives are those that can achieve both the advancement of foreign policy and the resolution of the crisis at the same time. However not all portfolios or States would be in a position to aim to write such directives due to their position(s), stakes, and objectives in the given crisis.

Directives can be sent in by an individual delegate or by a group of delegates. When sent in by a group of delegates, it is called a joint directive.

Overt Directives

All directives are by default considered overt in nature. Information on both the execution and outcome of such a directive shall be communicated to the committee.

Covert Directives

If you want your government to take certain actions but do not wish to have the involvement of your government in taking such actions disclosed, you should send covert directives. Only the outcome of such directives will be communicated either to the delegate from whom the directive was received or to the committee as a whole. Such directives are usually used for espionage, sabotage, intelligence, and other such operations the details of which should ideally not be disclosed to the public.

If an action is conspicuous and cannot be carried out covertly, it would not matter if it was enclosed within a covert directive, its execution and outcome will be communicated to the entire committee.

How to write a good directive?

Each directive must be aiming to ***achieve one specific, well defined objective using the most effective and resource-efficient means***. There may be secondary objectives for each action taken but the achievement of a secondary objective must always be seen as an added benefit, not an absolute requirement for the plan of action mentioned in the directive.

Directives must ***be as detailed as possible***. If you want your government to initiate a complex mission or set of actions, divide the mission or set of actions into sensible composite parts and write a directive for each composite part separately. All the directives aimed at accomplishing said mission must be sent together or must have a mention of the name of the mission they are a part of.

The nature of the directive (cover/overt) must be mentioned clearly. In absence of any mention of the nature of the directive, the Executive Board will assume and evaluate the directive as an overt directive.

Format

Title: [Any title for the operation/mission - required only in case a series of directives from a single operation/mission]**Type:** Covert/Overt Directive From:

Primary objective: [A one to two line description of what you wish to accomplish using this directive.]

Secondary objective (if any): [Any objective that may also be achieved while executing this directive.]

Mission brief: [A three to four line description of how the aforementioned objective(s) will be accomplished.]

Plan of action: [A detailed description of what you wish your government or its specific agency/agencies to do to accomplish the aforementioned objective(s).]

Additional information (if any): [Any additional details that you wish to convey.]

References (not mandatory): [Sources of information using which you suggested the above plan of action.]

4.2 Portfolio Requests

These are communications from individual delegates to their respective governments seeking information unavailable to them at the moment based on which they can decide to take action. Such requests are encouraged only when the information sought is publicly unavailable.

Format

From: Delegate of

To: [Designation of the person within your government who has the authority to provide you the information you are seeking.]

[Question or query]

4.3 Press Releases

These are public statements that the country of a delegate would like to issue. These can be sent in by individual delegates or a group of delegates. If passed, these shall be publicly displayed in the committee.

Format

Press release/statement

From:[Statement]

4.4 Communiqués

These are secret communications that delegates can individually or collectively send to other delegates not present in their cabinet, their own government, or governments of States that may or may not be present in the committee. The content of these can include, but are not limited to, negotiations, requests, threats, or demands.

Format

From: Delegate of

To: [Name of the country/designation to which you wish to send the communiqué]

[Message]

5. Conclusion

To reiterate, the intention of this background guide is to introduce you to the committee and the world it is set in. By no means should this be the end of all your research, rather it should serve as your beginning. We recommend heavy research into the economic policies of the time, other significant events in world history around that time, and also invest some time into understanding your portfolio's capabilities. All the best, and we hope to see you soon.