HIXSMUN 2024

1-3rd February 2024

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Emergency Meeting of the Global Finanical System (EMGFS)

Freeze Date: *27th January 1931*

The Great Depression

Letter from the Secretariat

Dear Delegates,
We are delighted to extend a warm welcome to the inaugural edition of HIXSMUN, where we explore a theme deeply rooted in the universal essence of uncertainty and peril.

Throughout history, humanity has faced moments of great peril, often standing at the precipice of existential threats. From nuclear standoffs to ecological crises, the countdown to midnight on the metaphorical doomsday clock has served as a stark reminder of our shared vulnerability. Today, the threats may have evolved, encompassing global pandemics, artificial intelligence dilemmas, and climate emergencies, but the sense of urgency and the need for decisive action remain constant.

The theme for HIXSMUN, "A Minute to Midnight," pays homage to this iconic symbol of humanity's vulnerability. However, it also signifies hope and resilience, reminding us that we have the power to turn back the clock, to reset our course, and to confront the challenges that loom on the horizon.

At HIXSMUN, we invite delegates to embody this spirit of hope and resilience as they would navigate the crises of the past, confront those of the present, and anticipate those of the future. We challenge you to come together as global leaders, crisis solvers, and visionaries to move the doomsday clock away from midnight.

To facilitate this endeavor, HIXSMUN combines the best elements of MUNs from around the world, offering a unique and immersive experience. Delegates will have the opportunity to rewrite history, steer nations through moments of turmoil, and shape a future where humanity prevails.

Join us in this collective effort to reset the clock, to rewrite the narrative, and to redefine the potential of Model United Nations. We look forward to welcoming you on the 1st of February 2024, as we embark on a journey to rediscover the power of diplomacy and determination.

Sincerely,
The Seceretariat | HIXSMUN24

Letter from the Executive Board

Dear Delegates,

Welcome to the Emergency Meeting of the Global Financial System (EMGFS), where the shadows of the past converge with the present challenges we face. As an executive board, we recognize the gravity of the task at hand and the urgency of our mission: to navigate the perilous waters of the Great Depression's legacy and forge a path toward global financial stability.

The theme for this emergency assembly, "Reckoning with the Past: Charting a Resilient Future," encapsulates the essence of our collective endeavor. We find ourselves at a critical juncture, mirroring the challenges that confronted nations during one of history's most profound economic crises. Each delegate is a steward of progress, tasked with transcending historical boundaries to shape a more resilient and equitable global financial system.The Great Depression serves as both a cautionary tale and a source of inspiration. In this committee, you are not just representatives; you are architects of change and guardians of economic well-being. The decisions made here will reverberate across borders, influencing the course of international finance for years to come.

Our collective duty: to delve into the complexities of the Great Depression, to dissect its causes, and to collaboratively engineer solutions that safeguard the world from similar crises. The EMGFS is a platform for proactive measures, fostering international cooperation, and crafting innovative strategies that transcend the challenges of our time.

As your executive board, we pledge our support in guiding you through the deliberations, and facilitating productive discussions. The world looks to this assembly for leadership and resilience, and we are confident that, together, we can rise to the occasion. May your deliberations be fruitful, your solutions transformative, setting the course for a more resilient global financial future.

Sincerely,
Executive Board

Rules of Procedure

Freeze Date: All committee members should note that the simulation of committee will take place on the aforementioned freeze date. Henceforth any future documentation, policy or event will be disregarded if mentioned. The freeze date for this committee is 27th January 1931.

Debate: There shall be two types of debate in committee, moderated and unmoderated. To move into either form of debate, a motion needs to be raised when prompted, and needs to have the support of the majority of the committee (51%, rounded up).

Moderated Debate: Moderated debate shall be the primary form of debate during the committee, wherein speakers speak for a set amount of time, on a set agenda. Provisions for rebuttals or questions as well as a limit on the number of speakers can be added optionally. To call for a moderated debate, a motion in the following format can be raised: *I would like to raise a motion for a moderated debate on (agenda) for (amount of speakers, optional) with individual speaking time (time per delegate to speak, in seconds) with a provision for rebuttals and questions for (permitted time per rebuttal/question)*

Unmoderated Debate: Unmoderated debate shall be the form of debate utilized to build consensus, create documents, or in general, converse freely. It is very similar to the Unmoderated Caucus found in most other Rules of Procedure. The Executive Board will not actively intervene during an unmoderated debate, but will keenly listen to and observe the actions of delegates. To call for an unmoderated debate, a motion in the following format can be raised:

I would like to raise a motion for an unmoderated debate for (time duration, in minutes).

Documentation: There shall be 4 types of documents in committee, all of which allow you to carry out actions which impact the world around you to different degrees and in different manners.

1. Directive: In this committee, a directive denotes a set of actions that you, and possibly along with other delegates, intend to execute within the scope of your individual authorities. The primary purpose of these directives is to accomplish personal objectives. They are not subject to direct voting or disclosure to the committee members; instead, it is at the discretion of the chair to approve or disapprove them. The type of directive chosen should align with the delegate's approach, manifesting as either Individual Directives, Joint Directives, or Covert Directives.
2. Committee Directive: These pertain to a compilation of actions undertaken by the committee as a whole, using the mandate of the EMGFS in its entirety. These actions will be subject to collective voting by the committee. They have no set format.
3. Communiqué: These are communications dispatched to members who are not currently present in the committee, serving various purposes, typically in the form of questions. They are to be sent individually to the Executive Board, and you can expect individual replies for each communication.
4. Chits: These will serve as a means of communication between delegates during moderated debate. They can also be sent via the executive board, where the conversation, typically involving questions and answers, will be documented and marked. Via EB chits will be limited to 3 per session for each delegate.

Historical Context

The Great Depression, originating from the Wall Street Crash of 1929, cast a profound shadow over the world economy, triggering a cascade of effects and adverse conditions that reverberated across nations. The interconnectedness of global economies meant that the economic downturn in one region swiftly translated into widespread suffering and instability.

One of the immediate effects was the contraction of international trade. The Smoot-Hawley Tariff Act of 1930, initially designed to protect American industries by imposing higher tariffs on imported goods, backfired spectacularly. Other nations responded with retaliatory tariffs, leading to a sharp decline in global trade. Protectionist measures, instead of shielding economies, intensified the economic downturn by stifling international commerce.

Unemployment soared to unprecedented levels in many nations. In the United States, the epicenter of the crisis, millions of individuals found themselves without jobs as industrial production plummeted. This spike in unemployment had a domino effect, impacting consumer spending and exacerbating the economic downturn. Similar patterns emerged in European countries, with Germany experiencing severe unemployment rates and economic hardships that contributed to social and political unrest.

The banking sector faced a perilous situation, with numerous financial institutions collapsing under the weight of the economic crisis. Bank failures led to a contraction of credit, making it challenging for businesses to secure loans and hindering economic recovery. The financial panic instilled a pervasive sense of uncertainty, further dampening economic activities globally.

Social conditions deteriorated as a result of the economic hardships. Homelessness, poverty, and destitution became widespread, particularly in industrialized nations. The plight of the unemployed and disenfranchised fueled social unrest, contributing to political upheavals and the rise of extremist ideologies. In Germany, the economic turmoil facilitated the ascent of Adolf Hitler and the Nazi Party, capitalizing on widespread discontent.

Internationally, the Great Depression served as a catalyst for geopolitical tensions. Economic hardships fueled nationalistic sentiments and isolationist policies as nations sought to prioritize their own interests. This inward turn contributed to strained diplomatic relations, hindering international cooperation and exacerbating global political instability.

The conditions sparked by the Great Depression set the stage for a reevaluation of economic and political systems. In response to the crisis, nations began to reassess the role of government intervention in the economy. Keynesian economic theory gained prominence, advocating for government spending to stimulate demand and alleviate economic downturns. Social safety nets and labor regulations were also instituted to mitigate the impact of economic shocks on vulnerable populations.

The Great Depression, with its far-reaching consequences, underscored the imperative for collaborative international efforts to address economic challenges. It laid the groundwork for the establishment of institutions like the International Monetary Fund (IMF) and the World Bank, aimed at fostering economic stability and preventing a recurrence of such widespread financial crises in the future. The lessons learned during this tumultuous period significantly influenced the development of economic policies and international relations in the subsequent decades.

Events Which Lead to the situation at hand/ Past Economic Policy

- Post-World War I Economic Turmoil:

  After the conclusion of World War I in 1918, nations faced the challenges of reconstruction and economic recovery. The war had left Europe economically devastated, with many nations burdened by war debts and reparations.

- Rise of Protectionist Policies:

  In the aftermath of World War I, some nations, including the United States, adopted protectionist trade policies to shield domestic industries from foreign competition. The desire to protect local economies contributed to the emergence of tariffs and trade restrictions.

- The Roaring Twenties:

  The 1920s, known as the "Roaring Twenties" in the United States, were characterized by economic prosperity, technological advancements, and increased consumer spending. However, this period of apparent affluence masked underlying economic imbalances and unsustainable practices.

- Stock Market Boom:

  The U.S. stock market experienced a period of exuberant growth during the 1920s. Investors, fueled by optimism and speculative fever, engaged in rampant buying, driving stock prices to unprecedented highs.

- Wall Street Crash - October 29, 1929:

  The culmination of speculative excesses and economic imbalances came to a head with the Wall Street Crash of 1929. On "Black Tuesday," October 29, 1929, the U.S. stock market collapsed, wiping out billions of dollars in wealth. The crash marked the beginning of the Great Depression.

- Bank Failures and Financial Panic:

  The stock market crash triggered a wave of bank failures and a financial panic. The loss of confidence in the banking system led to mass withdrawals, causing banks to collapse. The ensuing contraction of credit further deepened the economic crisis.

- Global Economic Impact:

  The economic repercussions of the U.S. stock market crash reverberated worldwide. International trade declined, and economies across the globe entered into a synchronized contraction. Nations that were heavily dependent on exports suffered immensely.

- Dust Bowl - Early 1930s:

  Concurrently, a severe environmental disaster known as the Dust Bowl struck the American Midwest. Prolonged drought, combined with poor agricultural practices, led to massive dust storms, damaging crops and exacerbating economic distress in the region.

- Smoot-Hawley Tariff Act - June 1930:

  In an attempt to protect American farmers and industries, the U.S. Congress passed the Smoot-Hawley Tariff Act in June 1930. The act significantly raised tariffs on imported goods, contributing to a global increase in protectionist measures.

- Rise of Protectionism and Political Extremism:

  The adoption of protectionist policies, including the Smoot-Hawley Act, had unintended consequences. It not only hindered international trade but also contributed to the rise of political extremism, particularly in Germany with the ascent of Adolf Hitler.

- Impact on the Weimar Republic and the rise of Adolf Hitler

  The economic hardships and protectionist policies, coupled with the lingering effects of World War I, contributed to the rise of political extremism, exemplified by the ascent of Adolf Hitler in Germany. The economic repercussions, including the political and economic instability in Germany, paved the way for the rise of Hitler, as the Weimar Republic struggled to recover.

  The economic downturn, coupled with the impact of protectionist measures, undermined the fragile stability of the Weimar Republic in Germany. Economic hardships paved the way for the rise of extremist ideologies.

- Global Economic Decline Continues - 1931:

  As the economic downturn persisted, nations struggled to find effective solutions. By the freeze date of 27th January 1931, the world was mired in a deepening economic crisis, marked by deflation, unemployment, and social upheaval.

Timeline

1. Stock Market Crash (Wall Street Crash - 1929):

   October 29, 1929: The Wall Street Crash, a catastrophic stock market collapse, triggered the onset of the Great Depression. Stock values plummeted, leading to a severe economic downturn.

2. Dust Bowl Crisis (1930-1936):

   Concurrently, the Dust Bowl crisis emerged in the U.S., causing widespread agricultural devastation due to severe drought and poor land management practices.

3. Smoot-Hawley Tariff Act (June 17, 1930):

   The Smoot-Hawley Tariff Act was signed into law, raising tariffs on imported goods by 40-60%. Intended to protect domestic industries, it inadvertently worsened the global economic situation.

4. Impact on Protectionism and Rise of Isolationism (1930s):

   The protectionist measures of the Smoot-Hawley Act contributed to a rise in protectionism globally, hindering international trade and fostering isolationist tendencies, particularly in the U.S.

Keynesian Economics

Keynesian economics, developed by British economist John Maynard Keynes during the 20th century, is a macroeconomic theory that significantly influenced economic policies worldwide. Keynes challenged classical economic thought, which emphasized the self-regulating nature of markets and minimal government intervention.

Keynesian economics revolves around the idea that during economic downturns, governments should actively intervene to stimulate demand and promote economic recovery. Keynes argued that when private-sector spending is insufficient to maintain full employment, government spending and policies could fill the gap. This perspective gained prominence during the Great Depression of the 1930s. Central to Keynesian theory is the concept of aggregate demand, representing the total spending on goods and services in an economy. Keynes asserted that fluctuations in aggregate demand, particularly inadequate demand during recessions, could lead to unemployment and economic stagnation. In response, he proposed counter-cyclical policies to manage demand.

Keynesian economics advocates for expansionary fiscal policy during economic slumps, involving increased government spending or tax cuts to boost demand. This counters the downturn and supports job creation. Conversely, during periods of high inflation or economic overheating, Keynesians recommend contractionary fiscal policies, such as reducing government spending or increasing taxes, to cool the economy.

Monetary policy also plays a role in Keynesian economics. By adjusting interest rates and influencing the money supply, central banks aim to stabilize the economy. Lowering interest rates encourages borrowing and spending, while higher rates can curb inflation.

Keynesian ideas found widespread application after World War II, shaping the economic policies of many developed nations. However, the rise of monetarism and supply-side economics in the late 20th century led to challenges to Keynesian orthodoxy.

Despite debates over policy effectiveness, Keynesian economics remains influential, especially during periods of economic crises when governments often adopt stimulus measures to revive growth and employment. The 2008 global financial crisis and the COVID-19 pandemic prompted renewed interest in Keynesian-style interventions to address economic challenges.

Classical economics

Classical economics, dominant before the 20th century, laid the groundwork for economic thought, emphasizing laissez-faire principles and the belief in self-regulating markets. Its relevance extended into the years leading up to the freeze date of 1931, impacting economic policies and shaping the global financial landscape.

At its core, classical economics asserted that markets naturally reach equilibrium, ensuring full employment and optimal resource allocation without government interference. It was rooted in the ideas of influential economists like Adam Smith and David Ricardo.

Laissez-Faire Ideology:

Classical economists advocated for minimal government intervention, arguing that markets, if left unhindered, would efficiently allocate resources. The "invisible hand" concept, introduced by Adam Smith, suggested that individuals pursuing self-interest unintentionally contribute to the collective good.

Gold Standard and Free Trade:

During this period, the gold standard was a key feature of classical economic policies. Currencies were backed by gold, giving a currency both stability and legitimacy . Additionally, classical economists supported free trade, believing it maximized global efficiency and prosperity.

However perception of classical economics changed tack at the time of the great depression. The classical insistence on market self-regulation faced scrutiny as the Great Depression unfolded. Governments, constrained by classical ideologies, found it challenging to address the economic crisis effectively. The gold standard, once a symbol of stability, became a constraint in responding to the turmoil.