

THE WALL STREET CRASH 1929

**CAN THE INTERNATIONAL COMMUNITY PREVENT A FINANCIAL CRISIS
FROM TURNING INTO A GLOBAL ECONOMIC DEPRESSION?**

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THE GREAT DEPRESSION AND THE CRASH OF 1929

Can The International Community Prevent a Financial Crisis from Turning into a Global Economic Depression?

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CARTA DE LA DIRECTORA GENERAL I.E.P VALORES Y CIENCIAS

Queridos estudiantes, docentes y delegaciones participantes:

Es para mí un verdadero honor darles la bienvenida al VC MUN Interescolar 2026, un espacio que nace con la convicción de que la educación trasciende las aulas y que nuestros jóvenes necesitan oportunidades para aprender a escuchar, dialogar, argumentar y construir acuerdos.

Un Modelo de Naciones Unidas es mucho más que una experiencia académica. Es una oportunidad para fortalecer valores que consideramos fundamentales en la formación de nuestros estudiantes: el respeto por las ideas de los demás, la responsabilidad, la empatía, la tolerancia, el liderazgo y el compromiso con nuestra sociedad.

En cada debate, cada negociación y cada decisión, nuestros estudiantes tienen la posibilidad de comprender que las diferencias no deben separarnos, sino motivarnos a buscar soluciones. Porque formar líderes no significa únicamente preparar jóvenes capaces de hablar, sino también personas capaces de escuchar, comprender y actuar con responsabilidad.

Desde el Colegio Valores y Ciencias, creemos firmemente que nuestra comunidad educativa debe crecer compartiendo experiencias, conocimientos y sueños. Por ello, esta tercera edición del VC MUN Interescolar representa también el inicio de un propósito mayor: abrir nuestras puertas progresivamente a todos los colegios de nuestra región, construyendo una comunidad MUN cada vez más amplia, participativa y diversa.

Queremos que las próximas ediciones reúnan a más instituciones, más estudiantes y más docentes; que este encuentro se convierta en un espacio regional donde nuestros jóvenes puedan conocerse, aprender unos de otros y descubrir que juntos podemos construir una educación con mayor propósito.

A cada delegación que hoy nos acompaña, gracias por aceptar este desafío y por ser parte de este primer paso. Que esta experiencia les permita aprender, cuestionar, compartir y, sobre todo, crecer.

Bienvenidos al VC MUN Interescolar 2026.

Con mucho cariño y orgullo,

Betty Martínez Sandoval

Directora

CARTA DEL SECRETARIADO VC MUN 2026

Estimados delegados:

El VC MUN Externo 2026 representa una oportunidad para salir de la dinámica habitual del aula y asumir el desafío de debatir, negociar y construir propuestas frente a problemáticas que requieren algo más que una opinión: requieren preparación, criterio y capacidad para escuchar otras perspectivas.

Esperamos que cada delegado encuentre en este modelo un espacio para desarrollar sus habilidades de oratoria, argumentación y diplomacia, pero también para aprender a defender una postura con fundamentos y reconocer cuándo el diálogo puede ser más efectivo que la confrontación.

Esta edición ha sido preparada con el propósito de ofrecer comités exigentes, dinámicos y fieles a la esencia de un Modelo de Naciones Unidas. Por ello, los invitamos a llegar con una posición clara, investigación suficiente y disposición para participar activamente en cada etapa del debate.

Recuerden que representar a un país, organización o personaje no consiste únicamente en hablar en su nombre, sino en comprender sus intereses y actuar consecuentemente con ellos.

La calidad del debate dependerá tanto de lo que cada delegado tenga preparado como de su capacidad para responder, negociar y adaptarse.

Esperamos que el VC MUN Externo 2026 sea una experiencia que trascienda el momento de la conferencia y les deje nuevas herramientas para expresarse, cuestionar y participar con mayor seguridad.

Bienvenidos al VC MUN Externo 2026.

Atentamente,

Aytana Quiroz & María Fernanda la Torre

CARTA DE LA DIRECTORA DEL COMITÉ

Queridos delegados y delegadas,

Es un verdadero honor dirigirme a ustedes como Directora de este comité en esta edición del VC MUN Interescolar 2026 del colegio Valores y Ciencias.

Mi nombre es Yolita Martínez Alva. Actualmente soy estudiante universitaria de la carrera de Ingeniería Civil en la Universidad Nacional de San Martín. Mi trayectoria en el mundo de los Modelos de Naciones Unidas comenzó hace algún tiempo y me ha llevado a participar en tres conferencias de debate, en las cuales he tenido la fortuna de obtener diversos reconocimientos, entre ellos el de Mejor Delegada. Asimismo, he tenido la valiosa oportunidad de desempeñarme anteriormente como Directora de Comité, una vivencia que fortaleció mi vocación por la formación de nuevos líderes diplomáticos.

Participar en este tipo de experiencias ha sido algo transformador para mi vida académica y personal. Me ha enseñado a analizar problemas desde múltiples perspectivas, debatir con firmeza, construir consensos y, sobre todo, comprender el impacto que los jóvenes podemos lograr a través de la diplomacia y el pensamiento crítico.

Más allá de sus intervenciones en la tribuna, lo que más valoro en un delegado es la autenticidad, el compromiso y la preparación constante. No es necesario ser un experto consumado para brillar en un MUN; basta con tener la voluntad de investigar, la valentía para tomar la palabra y el respeto hacia las demás delegaciones.

Con mucho cariño y entusiasmo,

Yolita Martínez Alva

Directora de Comité

VC MUN Interescolar 2026 – Colegio Valores y Ciencias

CARTA DE LA MODERADORA DEL COMITÉ

Queridos delegados y delegadas,

Es un honor para mí darles la más cordial bienvenida a este comité.

Estoy muy contenta de compartir este espacio con cada uno de ustedes y de comenzar juntos esta experiencia. Como delegada, he tenido la oportunidad de participar en cuatro ediciones de MUN, una experiencia que me ha enseñado la importancia del diálogo, la negociación y el respeto entre distintas posturas y es precisamente con ese espíritu con el que los recibo hoy.

El tema que nos convoca es la Segunda Guerra Mundial, un conflicto que marcó profundamente la historia y que nos invita a reflexionar sobre las causas y consecuencias de la guerra. Estoy segura de que, con el debate y el trabajo de todos, lograremos un análisis enriquecedor y constructivo.

Les deseo mucho éxito en cada sesión. Que este comité sea un espacio de aprendizaje, respeto y buenos momentos para todos.

Con aprecio,

Dariana Valeska Pinchi Torrea.

Codirectora de Comité

VC MUN Interescolar 2026 – Colegio Valores y Ciencias

I. Letter from the Committee Director

Dear Delegates,

It is my distinct honor and pleasure to welcome you to the Committee on the Great Depression and the Wall Street Crash of 1929!

My name is Ammy Vargas. I am an 18-year-old freshman law student with a deep passion for jurisprudence, diplomacy, and historical analysis. Having participated in five Model UN conferences overall; this being my third experience serving as a Committee Chair, I am thrilled to guide our debate through one of the most critical economic crossroads in modern history.

This conference marks a momentous occasion, since it is the third external edition of VC MUN. What makes this edition truly extraordinary is that, for the first time ever, the entire conference is historically themed across all committees. Within this historic setting, our committee holds the unique distinction of being the first and only English-speaking committee in the history of VC MUN. I am immensely proud to pioneer this milestone with you.

In our committee, we will tackle the immediate fallout of the 1929 stock market crash and the global economic collapse that followed. Rather than simply replaying history, our goal is to understand the legal, political, and economic choices that shaped the world, and challenge ourselves to find innovative solutions to unprecedented global distress.

As your Chair, I expect active engagement, rigorous research, and a commitment to diplomatic excellence. I encourage each of you to step out of your comfort zone, speak up boldly, and collaborate closely with your peers. MUN is as much about building confidence, leadership, and public speaking as it is about policy and negotiation. Whether this is your first conference or your tenth, bring your enthusiasm, respect your fellow delegates, and push yourself to excel.

We look forward to seeing your hard work translate into passionate debates, strong directives, and memorable solutions.

Welcome to VC MUN Third Edition! Let us lead with confidence and rewrite history together.

Sincerely,

Ammy Vargas

Committee Director

Committee on the Great Depression and the Crash of 1929

VC MUN

II. Letter from the Committee Moderator

Dear delegates:



It is a pleasure to welcome you to the ‘The Great Depression and the Crash of 1929’ committee.

As your moderator, I am delighted to share this experience with you. Throughout the committee, you will have the opportunity to challenge perspectives, take part in enriching debates and explore the importance of diplomacy and international cooperation in times of uncertainty.

I encourage you to participate with confidence, respect different points of view and make the most of every debate. I hope this experience inspires you to grow, learn from one another and leave your mark on this historical simulation.

I am very much looking forward to meeting you and discovering the ideas you will bring to the table.

History has already been written, but in this committee, the next chapter is in your hands.

With best wishes,

Karla
Committee
Committee on the Great Depression and the Crash of 1929
VC MUN

Pinedo
Moderator



III. INTRODUCTION

In October 1929, the international economic system faced a crisis that could deeply transform the economic and political balance established after World War I. During the 1920s, the United States experienced significant economic growth. Industrial expansion, rising consumption, the expansion of credit, and investment in the stock market generated a sense of prosperity. However, behind this growth lay major imbalances.

On October 24, 1929, known as Black Thursday, stock prices fell sharply on the New York Stock Exchange. The situation worsened over the following days, reaching a critical moment on October 29, known as Black Tuesday, when millions of shares were sold amidst panic.

The problem was not limited to Wall Street.

A prolonged market drop could affect banks, businesses, workers, international trade, and especially countries that relied on U.S. credit.

The main question for delegates is not simply:

What caused the Crash of 1929?

The real question for the committee will be:

What can the international community do in October 1929 to prevent an American financial crisis from turning into a global economic crisis?

Delegates must act using only the institutions, knowledge, resources, and policies available in 1929.

I. HISTORICAL CONTEXT

World War I profoundly altered the global economy.

Europe had suffered massive human and material losses. Several European economies were left weakened, and many governments had accumulated significant levels of debt. The United States, by contrast, emerged from the war as one of the world's leading economic and financial powers.

3.1. During the 1920s

- i. U.S. industrial production increased
- ii. Exports grew
- iii. Credit expanded
- iv. Consumption of durable goods rose
- v. The stock market developed rapidly
- vi. The United States became a major international creditor.



Europe partly depended on American financial flows to sustain its recovery. This created an interconnected international economy. A crisis in the United States could affect other countries.

3.2. **The Problem of Reparations and Debts**

The postwar European economy was linked to a complex system of financial obligations. Germany had to pay war reparations. France and the United Kingdom had major financial obligations to the United States. American credit helped sustain this system. Therefore, any major reduction in U.S. credit could trigger international consequences.

Historical Mechanisms: The Dawes Plan (1924) and the Young Plan (1929)

3.3. **The Dawes Plan (1924)**

Following World War I, Germany experienced serious economic difficulties, particularly regarding its obligation to pay reparations to the Allied Powers.

In 1924, the Dawes Plan was introduced as an international financial arrangement intended to stabilize Germany's economy and reorganize its reparation payments.

The plan established several important mechanisms:

- i. Reorganization of Germany's annual reparation payments.
- ii. An initial international loan of approximately \$200 million to support German economic stabilization.
- iii. Financial reforms intended to restore confidence in Germany's monetary system.
- iv. International supervision of specific financial arrangements.
- v. Although the Dawes Plan contributed to Germany's economic recovery, it also increased the importance of foreign capital, particularly American loans, within the European financial system.

3.4. **The Young Plan (1929)**

The Young Plan was developed in 1929 under the leadership of American economist Owen D. Young. Its purpose was to establish a more definitive settlement of Germany's reparation obligations.

The proposal reduced the overall reparations amount to approximately 121 billion gold marks, with payments distributed over 58 years. It also contemplated a new international loan and the creation of the Bank for International Settlements.

However, as of October 30, 1929, the Young Plan had not yet been fully implemented. Delegates must therefore distinguish between existing financial arrangements and reforms that remained under negotiation or pending implementation.

3.5. The International Debt Cycle

The relationship between American lending, German reparations, and Allied war debts created an interconnected financial system:

United States → Loans to Germany → German reparations to Allied Powers → Allied debt repayments to the United States.

This financial structure meant that a significant reduction in American lending could create economic difficulties far beyond the United States.

II. THE ROARING TWENTIES AND THE ILLUSION OF PROSPERITY



The 1920s are frequently associated with a period of economic growth, particularly in the United States. Industrial production increased considerably. Electricity, automobiles, household appliances, radio, and other consumer goods transformed both the economy and daily life. Credit enabled many families to purchase products they previously could not afford immediately. However, this growth had underlying weaknesses.

3.6. Credit-Based Consumption

A growing share of consumption was financed through loans. This allowed people to buy goods without having all the required money immediately available. The system worked as long as income and confidence continued to grow. But a fall in income could make debt repayment difficult.

3.7. Stock Market Speculation

During the second half of the 1920s, many people began investing in stocks. Rising stock prices generated expectations that they would continue to climb, encouraging further investment. A major problem was margin buying, through which an investor could purchase stocks using borrowed money. This meant an individual could make huge profits if prices rose, but could also suffer massive losses if prices fell.

3.8. The Speculative Cycle

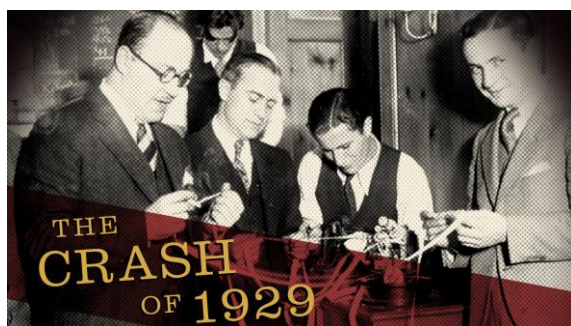
Prices rise. → Confidence grows. → More people buy. → Demand increases. → Prices rise even further.

3.9. The problem arises when expectations change

Prices start to fall. → Investors sell. → Supply increases. → Prices drop lower. → Panic grows. → More people sell.

III. THE CRASH OF 1929

The stock market began showing signs of instability during September and October 1929. On October 24, thousands of investors attempted to sell their shares. The drop caused alarm, though some financial leaders tried to reassure the market.



On October 29, 1929, the market experienced another massive collapse. This day went down in history as Black Tuesday.

3.10. An Important Clarification

The Crash of 1929 was not, on its own, the entire Great Depression. The stock market crash was a fundamental event, but the subsequent economic depression had multiple causes and mechanisms.

Delegates must avoid oversimplifying: *"The stock market crashed, and therefore the Great Depression began."*

The issue was the interaction between multiple factors:

- i. Financial crisis
- ii. Indebtedness
- iii. Banking problems
- iv. Fall in consumption
- v. Overproduction
- vi. Deflation
- vii. Credit contraction
- viii. Decline in international trade
- ix. Restrictive economic policies
- x. Flaws in the international monetary system.

IV. FROM STOCK MARKET CRASH TO ECONOMIC CRISIS

The great historical challenge lies in understanding how a financial crisis is transmitted to the real economy.

- i. Stock Price Collapse: Investors lose vast amounts of money.
- ii. Loss of Confidence: Businesses and consumers begin reducing their spending and investments.
- iii. Credit Contraction: Banks become much more cautious about lending money.
- iv. Reduced Investment: Companies scale back projects and production.
- v. Unemployment: Companies producing less need fewer workers.
- vi. Lower Consumption: Unemployed workers consume less.
- vii. Lower Sales: Businesses receive less revenue.
- viii. Further Layoffs: The cycle begins anew.

3.11. The Depression Cycle

Less credit. → Less investment. → Lower production. → Unemployment. → Lower consumption. → Lower sales. → More unemployment.

This mechanism will be fundamental to the debate.

V. THE BANKING SYSTEM

Banks occupy a central position during an economic crisis. During a loss of confidence, citizens may attempt to withdraw their deposits simultaneously, causing a bank run. If a bank lacks sufficient liquidity to meet all withdrawals, it can fail. Banking failures can drive even further distrust.

VI. THE ROLE OF CENTRAL BANKS AND THE FEDERAL RESERVE

3.12. Historical Background

Established in 1913, the Federal Reserve System serves as the central banking system of the United States. Its creation was intended to provide greater stability to the American



monetary and banking system.

During the 1920s, the Federal Reserve played an increasingly important role in influencing credit conditions, supporting financial institutions, and maintaining monetary stability.

However, the rapid expansion of stock market speculation created significant challenges for monetary

authorities.

3.13. Main Responsibilities of the Federal Reserve

- i. Influence monetary and credit conditions within the United States.
- ii. Provide liquidity to eligible financial institutions.
- iii. Support the stability of the banking system.
- iv. Influence the availability and cost of credit.
- v. Maintain monetary stability within the constraints of the existing financial system.

3.14. **Monetary Instruments Available in 1929**

- i. Discount Rate: The interest rate charged to eligible banks borrowing from Federal Reserve Banks.
- ii. Open Market Operations: Purchases and sales of government securities intended to influence banking reserves and credit conditions
- iii. Discount Window: A mechanism through which eligible financial institutions could obtain central bank credit against acceptable collateral.
- iv. Direct Action: Measures intended to discourage member banks from using Federal Reserve credit to finance excessive stock market speculation.

3.15. **The Federal Reserve Before the Crash**

Throughout 1928 and 1929, Federal Reserve officials expressed growing concern regarding speculative lending and the rapid increase in stock market prices.

Nevertheless, disagreements emerged regarding the appropriate monetary response.

The Federal Reserve Board favored direct measures to discourage speculative credit, while George Harrison, Governor of the Federal Reserve Bank of New York, supported adjustments to the discount rate.

In August 1929, New York's discount rate reached 6%.

Following the market collapse in October, the Federal Reserve Bank of New York began taking measures to relieve financial pressure, including purchases of government securities and additional lending to eligible banks.

These developments demonstrated the difficulty of balancing monetary discipline with the need to preserve financial stability.

3.16. **The Central Dilemma**

Should the Federal Reserve prioritize restricting excessive speculation, or should it expand liquidity to prevent financial instability from spreading throughout the banking system?

3.17. **The Dilemma for Governments**

A government may face a choice:

Should it allow insolvent banks to fail, or intervene to prevent the collapse of the financial system?

In 1929, there was no international consensus on the correct answer. Delegates must consider:

- i. Banking stability
- ii. Depositor protection
- iii. Financial discipline
- iv. Availability of reserves
- v. Central bank capacity
- vi. The cost of state intervention.

VII. THE ROLE OF U.S. CREDIT

After World War I, the United States assumed a central role in the international financial system. American credit helped finance various European economies. A reduction in credit could severely impact countries reliant on foreign capital. Consequently, an American crisis could become an international crisis.

3.18. The American Dilemma

The United States could consider:

- i. Option A: Focus on protecting its domestic economy.
- ii. Option B: Maintain or expand international credit to prevent a global collapse.

Each option carried costs. An international intervention could prove politically difficult for a country facing its own financial troubles.

VIII. THE GOLD STANDARD

One of the most vital elements for understanding the 1920s international economy is the Gold Standard.

Under this system, currencies maintained a fixed exchange rate relative to gold. The goal was to provide monetary stability and facilitate international trade. However, the system also constrained governments' ability to respond to a crisis.

3.19. The Dilemma

During an economic downturn, a government might want to:

- i. Increase the money
- ii. interest rates
- iii. Stimulate credit
- iv. Finance public programs
- v. Allow its currency to depreciate



However, adhering to the Gold Standard could restrict several of these options. Thus, a fundamental question emerges:

Should monetary stability be maintained even if it hinders economic recovery?

IX. OVERPRODUCTION AND THE DECLINE IN CONSUMPTION

The U.S. industrial economy had vastly increased its productive capacity. However, producing more does not necessarily mean selling more.

If production grows faster than consumption capacity:

Production $\uparrow$ $\rightarrow$ Inventories $\uparrow$ $\rightarrow$ Prices $\downarrow$ $\rightarrow$ Profits $\downarrow$ $\rightarrow$ Production $\downarrow$ $\rightarrow$ Employment $\downarrow$ This issue affected several key sectors, including:

- i. Agriculture
- ii. Industry
- iii. Raw materials
- iv. Consumer goods

The agricultural situation was particularly difficult even before the Crash. U.S. farmers had faced economic hardship throughout the 1920s due to low commodity prices.

X. INTERNATIONAL TRADE

A national economic crisis can easily become an international trade crisis.

When countries enter a recession, they tend to reduce imports, hurting exporting nations.

Furthermore, some governments may try to protect domestic producers through tariffs and trade barriers.

3.20. The Protectionism Dilemma

A government might think: "If we protect our domestic industry, we will preserve domestic jobs."

However, other nations may retaliate with their own tariffs.

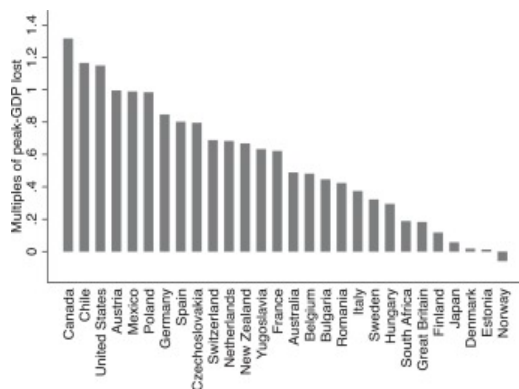
This can trigger:

Tariffs $\rightarrow$ Retaliation $\rightarrow$ Less trade $\rightarrow$ Lower exports $\rightarrow$ Reduced production $\rightarrow$ Higher unemployment.

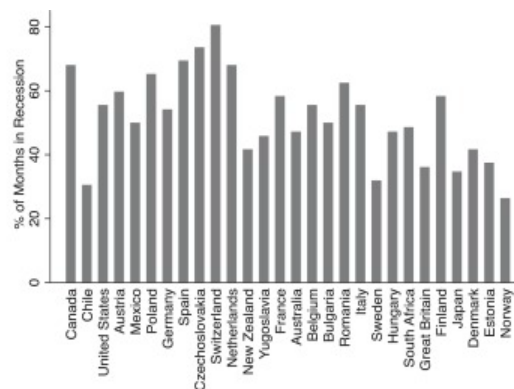
Therefore, a key question for the committee will be:

Should the international community defend free trade during a crisis, or allow each state to protect its own economy?

XI. INTERNATIONAL IMPACT



(a) Cumulative loss, 6 years into crisis (multiples of peak-GDP p.c.)



(b) Percentage of months in recession, 6 years into crisis

Although the Crash occurred in the United States, its consequences had the potential to spread globally.

3.21. Europe

European nations could be impacted by:

- i. Reductions in U.S. credit
- ii. Falling export demand
- iii. Banking failures
- iv. Drops in industrial output
- v. Unemployment
- vi. Fiscal strain

Germany was particularly vulnerable due to its reliance on foreign capital.

3.22. Latin America

Latin American economies relied heavily on exporting raw materials and agricultural commodities. A fall in global demand meant lower:

- i. Export prices
- ii. Government revenues
- iii. Foreign currency reserves
- iv. Import capacity

Exporters of coffee, sugar, minerals, nitrates, meat, and other goods faced severe shocks.

3.23. Asia and Other Regions

Decreased global trade also impacted economies dependent on imports and exports. The crisis thus risked becoming a truly global phenomenon.

XII. THE LEAGUE OF NATIONS AND INTERNATIONAL COOPERATION

In 1929, the League of Nations was in place, created after World War I. However, the League had limited capabilities in economic and financial matters.

While international cooperation mechanisms existed, there were no organizations equivalent to those established after World War II.

This is crucial for the committee: Delegates cannot use institutions that did not yet exist.

They cannot propose, for instance:

- i. International Monetary Fund (IMF)
- ii. World Bank
- iii. World Trade Organization (WTO)
- iv. European Union (EU)

The challenge is to devise solutions using only the institutions present in 1929.

XIII. KEY ACTORS

3.24. United States

- i. Interests: Protect the U.S. financial system; prevent a banking panic; maintain confidence in the dollar; protect the domestic economy; preserve its international financial standing.
- ii. Possible Positions: The U.S. might support international financial cooperation but would likely demand that other nations share the burden.
- iii. Red Line: Any international intervention that excessively compromises its own domestic resources or internal financial stability.

3.25. United Kingdom

- i. Interests: Protect London as a financial center; maintain global trade; preserve the stability of the pound sterling; avoid banking failures; safeguard international trade relations.
- ii. Dilemma: Balancing monetary stability with economic recovery.

3.26. France

- i. Interests: Maintain financial stability; protect its gold reserves; ensure national economic security; preserve its international influence.
- ii. Context: France held substantial gold reserves and could take a different stance than nations in urgent need of liquidity.

3.27. Germany

- i. Interests: Maintain access to credit; avoid a renewed financial crisis; sustain industrial output; reduce unemployment; preserve economic stability.

- ii. Context: Highly vulnerable due to financial strains arising from post-WWI settlements.

3.28. Italy

- i. Interests: Protect the national economy; maintain monetary stability; prevent unemployment and social unrest; increase economic self-reliance.

3.29. Agricultural and Exporting Nations

Exporters of primary commodities might demand:

- i. Access to open markets
- ii. Continued access to credit
- iii. Price stabilization mechanisms
- iv. Reductions in trade barriers

For these nations, international trade was not just an economic concern—it was a matter of fiscal and social survival.

XIV. CASE STUDIES

The following historical cases illustrate how financial dependence, economic instability, and structural weaknesses affected different countries before and during October 1929. These examples demonstrate how vulnerabilities within individual economies could threaten the stability of the broader international financial system.

3.30. Germany

Following World War I, Germany faced substantial economic difficulties due to reparations, monetary instability, and the financial consequences of the Treaty of Versailles. The introduction of the Dawes Plan in 1924 helped stabilize the German economy by reorganizing reparations and facilitating access to international lending. This arrangement encouraged economic recovery and contributed to the restoration of financial confidence. However, Germany's recovery became increasingly dependent on American capital. A significant portion of foreign investment originated from financial institutions in the United States, creating a vulnerable relationship between German economic stability and American credit availability.

By 1928, reductions in American lending had already exposed weaknesses within the German financial system. Consequently, the Wall Street Crash of October 1929 generated further uncertainty regarding Germany's ability to maintain industrial production, financial stability, and its international payment obligations.

3.31. The United States

Throughout the 1920s, the United States experienced significant industrial expansion, technological development, and increasing participation in financial markets.

The widespread availability of credit encouraged investment and consumption. However, margin buying allowed investors to purchase shares using borrowed money, increasing their exposure to sudden market fluctuations.

As stock prices continued rising, speculative expectations encouraged further investment, contributing to an increasingly vulnerable financial environment.

The market collapse of October 28 and 29, 1929, demonstrated how rapidly investor confidence could deteriorate. Massive selling pressure caused substantial financial losses and created uncertainty regarding the stability of financial institutions and future economic activity.

The American experience illustrates how excessive speculation, credit expansion, and financial interdependence can transform a stock market collapse into a broader threat to economic stability.

XV. MAJOR COMMITTEE DILEMMAS

3.32. Dilemma 1: State Intervention vs. Free Market

Should the state intervene directly to stabilize banks and businesses, or does intervention risk distorting the market and creating bigger problems?

3.33. Dilemma 2: Protectionism vs. Free Trade

Should each state protect its domestic producers, or should tariffs be avoided to prevent trade wars?

3.34. Dilemma 3: Monetary Stability vs. Economic Recovery

Should the Gold Standard be defended at all costs, or should governments adopt more flexible monetary policies?

3.35. Dilemma 4: National Priorities vs. International Cooperation

Every state faces a domestic crisis. However, if every nation acts purely in its own self-interest, the international system risks collapse.

3.36. Dilemma 5: International Credit vs. Austerity

Affected countries may require loans, but lending money during a crisis carries substantial risk for creditor nations.

XVI. WHAT COULD THE COMMITTEE DO?

Delegates must develop historically plausible proposals:

- i. International Economic Conference: Convene major powers to coordinate economic policies.
- ii. International Credit Mechanism: Establish emergency lending arrangements utilizing existing banks and institutions.
- iii. Central Bank Cooperation: Foster agreements among central banks to maintain liquidity and confidence.
- iv. Agricultural Market Protection: Develop cooperative frameworks to prevent catastrophic drops in commodity prices.
- v. Reduction of Trade Barriers: Negotiate agreements to stop tariff escalation.
- vi. Monetary Stabilization: Coordinate policies regarding currencies, reserves, and gold flows.
- vii. Protection of the Banking System: Establish common guidelines to handle bank runs and banking panics.
- viii. Public Investment Programs: Consider infrastructure projects aimed at sustaining employment and demand (delegates must explain how these would be funded).

XVII. POSSIBLE COMMITTEE SCENARIOS

The Bureau may introduce various crisis scenarios during the simulation:

3.37. Scenario 1: Further Stock Market Drops

The market continues to plunge. Question: *Should the U.S. government intervene directly?*

3.38. Scenario 2: Banking Crisis

A major bank faces a severe liquidity shortage. Question: *Should international emergency assistance be provided?*

3.39. Scenario 3: Collapse in Export Earnings

Primary-commodity exporters report a dramatic fall in income. Question: *Should an international stabilization mechanism be created?*

3.40. Scenario 4: Tariff War

A country significantly raises its tariffs, prompting retaliatory threats. Question: *Can the committee prevent protective tariff escalation?*

3.41. Scenario 5: Currency Crisis

A state considers abandoning the Gold Standard to gain policy flexibility. Question: *Should independent monetary policy be permitted, or should system stability be enforced?*

3.42. Scenario 6: Rising Unemployment

Economic hardship leads to widespread social unrest. Question: *Should the international community treat employment as a key component of economic recovery?*

XVIII. THE POINT OF NO RETURN

The committee must keep a key concept in mind: An economic crisis becomes a depression when recovery mechanisms fail and governments respond in an uncoordinated manner.

The point of no return is rarely a single day; the true danger lies in the compounding effect of uncoordinated decisions:

Financial Crisis → Credit Contraction → Bankruptcies → Unemployment → Drop in Consumption → Protectionism → Collapse of Trade → Widespread Depression.

Delegates must attempt to break this chain before it becomes irreversible.

XIX. HISTORICAL KNOWLEDGE RULE

This is an anachronism-sensitive historical committee.

Start Date: OCTOBER 30, 1929

Delegates cannot use knowledge of events occurring after this date unless introduced by the Bureau as a crisis update. Delegates do not know:

- i. The exact duration or depth of the Great Depression
- ii. Economic policies of the 1930s
- iii. Franklin D. Roosevelt's New Deal
- iv. Future unemployment figures
- v. When or if countries will leave the Gold Standard
- vi. The Smoot-Hawley Tariff Act of 1930
- vii. The future rise of radical political movements
- viii. World War II.

Fundamental Rule: Delegates represent historical actors, not modern historians. If a proposal only makes sense because we know it worked decades later, but was not reasonably conceivable in October 1929, it must be challenged.

XX. WHAT SHOULD EACH DELEGATE PREPARE?

3.43. National Economy

- i. Key productive sectors
- ii. Exports and imports
- iii. Banking situation
- iv. Currency and gold reserves
- v. Debt levels

- vi. Dependence on foreign credit

3.44. Economic Policy

- i. Stance on free trade vs. protectionism
- ii. Stance on the Gold Standard
- iii. Capacity for state intervention
- iv. Foreign economic relations

3.45. Diplomatic Interests

- i. Key allies and trading partners
- ii. Potential adversaries
- iii. Existing international commitments

3.46. Red Lines

- i. Delegates must define
- ii. What can be conceded?
- iii. What is negotiable?
- iv. What will their government never accept?

XXI. STRUCTURING PROPOSALS

A solid proposal must address four key questions:

- i. What will be done? (*e.g., Establish an international credit facility.*)
- ii. Who will fund it? (*Do not simply say "the international community"; specify contributing nations and terms.*)
- iii. Who will administer it? (*Use an existing 1929 institution or establish a mechanism compatible with the era.*)
- iv. What happens if it fails? (*Account for potential risks and unintended consequences.*)

XXII. COMMON PITFALLS TO AVOID

- i. Pitfall 1: Equating the Crash with the entire Great Depression. The crash triggered events, but the depression had broader systemic causes.
- ii. Pitfall 2: Relying on modern institutions. The IMF, World Bank, WTO, and EU do not exist yet.
- iii. Pitfall 3: Solving problems by "printing money." Monetary policy has strict consequences under the Gold Standard.
- iv. Pitfall 4: Ignoring international trade. The crisis cannot be understood solely through Wall Street.

- v. Pitfall 5: Overlooking exporting nations. Falling commodity prices can destroy whole national economies.
- vi. Pitfall 6: Proposing unfunded resolutions. Pledging millions without identifying capital sources is unrealizable.
- vii. Pitfall 7: Using hindsight. Future events cannot be used as arguments in 1929.

XXIII. GLOSSARY

- i. Stock Market Crash: A sudden, drastic decline in stock prices across a major section of the market.
- ii. Great Depression: A severe worldwide economic depression that taking place during the 1930s following the 1929 crash.
- iii. Speculation: The purchase of an asset with the hope that it will become more valuable in the future.
- iv. Margin Buying: Purchasing stocks using borrowed funds from a broker.
- v. Credit: The provision of money or resources with an agreement for future repayment.
- vi. Liquidity: The ease with which an asset can be converted into ready cash without affecting its market price.
- vii. Bank Run: A situation where many depositors withdraw their funds simultaneously due to solvency concerns.
- viii. Deflation: A general decline in price levels, which increases the real burden of debt.
- ix. Overproduction: Production of goods in excess of market demand.
- x. Protectionism: Economic policies restricting imports through tariffs or quotas to safeguard domestic industries.
- xi. Tariff: A tax or duty imposed on imported goods.
- xii. Gold Standard: A monetary system where a country's currency value is directly linked to gold.
- xiii. Gold Reserves: Gold held by a central bank or monetary authority to back its currency obligations.
- xiv. Monetary Policy: Central bank actions managing money supply and credit conditions.
- xv. Fiscal Policy: Government decisions regarding taxation, revenue, and public spending.
- xvi. Unemployment: The state of individuals able and willing to work who are unable to find employment.
- xvii. Recession: A period of temporary economic decline during which trade and industrial activity are reduced.

- xviii. Economic Depression: A deep, long-term downturn in economic activity across one or more economies.

XXIV. QUESTIONS A RESOLUTION MUST ANSWER (QARMAS)

- i. What structural imbalances—such as credit-based consumption, agricultural overproduction, or monetary tightening—transformed a Wall Street correction into a systemic international threat?
- ii. How will the sudden cessation of American foreign lending impact European recovery, German reparations, and the debt obligations of Allied nations?
- iii. Can central banks defend fixed exchange rates and monetary discipline without completely sacrificing domestic liquidity, price stability, and economic growth?
- iv. Given the absence of modern deposit insurance or lender-of-last-resort safety nets in 1929, how should governments and international bodies address contagious bank runs?
- v. How can the committee prevent a destructive cycle of retaliatory tariffs and trade wars as individual nations attempt to export their unemployment?
- vi. If emergency credit or stabilization mechanisms are established to support vulnerable economies, which nations will provide the capital, and under what strict economic conditions?
- vii. What specific national sacrifices (such as altering monetary policy, adjusting tariffs, or contributing to rescue funds) is your delegation willing to make to preserve the global economic system?
- viii. Operating strictly within the diplomatic and financial limits of October 1929 (without modern bodies like the IMF or World Bank), what concrete multilateral mechanism can this committee realistically deploy to break the depression cycle?

XXV. QARMAS - THE CORE QUESTION OF THE COMMITTEE

The Crash of 1929 presents a challenge far beyond a drop in stock prices. It forces nations to choose between competing priorities:

- i. Financial stability OR Economic growth?
- ii. Monetary discipline OR Economic stimulus?
- iii. National interest OR International cooperation?
- iv. Protectionism OR Open trade?
- v. Fiscal austerity OR Public spending?

None of these decisions come without costs. Every choice creates winners, losers, and new risks.

Therefore, the committee's objective is not to find a perfect answer, but to reach a politically viable, economically defensible, and internationally negotiable solution.

XXVI. CONCLUSION

The Crash of 1929 represents one of the defining economic challenges of the 20th century. Its true historical significance lies not just in the initial collapse on Wall Street, but in how that financial shock threatened to ripple across banks, businesses, workers, and governments worldwide.

For delegates, the challenge is greater still: You are standing in October 1929, with no knowledge of the future.

You do not know how long the crisis will last, which countries will suffer most, what policies will ultimately be adopted, or what political consequences will follow.

You only know that the international economic system is beginning to falter.

The guiding question for the entire committee remains:

Can the international community act before a financial crisis turns into a global economic depression?

And most importantly:

What is each state willing to sacrifice to save the international economy?