



A letter from the chair

Hello delegates!

My name is Virochan Pandit and I am in 11th grade in Greenwood High International School. I am honored to be your chair for the IMF committee at GWHMUN 2020! I am a history student, and I love discussing about the past, present, and future international world order. I am also an author of the book 'The Hidden War', a historical fiction book. I am, in all aspects, interested in history.

It's been a rough year and so many things have changed in our lives. Not only have our personal lives changed, there have been great changes in the global landscape. The world order is shifting and so is the economy. The economy has been plummeting ever since the pandemic and there seems to be no solution. You, as delegates representing a country, must find one. Your solution will determine the fate of the economies of the world. I am looking forward to hearing your thoughts and solution, and hope to see you work collaboratively with other delegates who share your views.

Looking forward to seeing you in committee,

Virochan Pandit – Chair of the IMF

Rohan Sanghrajka – Vice Chair of the IMF

Yash Bharadwaj – Moderator of the IMF

About the Committee:

The International Monetary Fund (IMF) was founded in 1944 at the United Nations, initially comprised of 29 member states. Since its inception, the IMF has grown vastly and now has 189 member states. The main goal of the IMF is to this day to “ensure the stability of the international monetary system”. The IMF has also helped solve the 2008 financial crisis and has been largely effective and successful in its goals. Additionally the IMF has been able to lend over 1 trillion USD to its member states. The IMF also allocates a reserve asset (essentially as a supplement), called Special Drawing Rights which are allocated to countries and that they can exchange. The IMF has also worked with many other international organizations regarding fiscal, monetary, and other policies to improve the economy.

During the pandemic, the IMF has made many policy changes and is working extensively toward repairing the seemingly broken economy. The IMF has implemented policies such as subsidized 2 to 3 year loans for helping countries in crisis in the short run. However, you as delegates must follow the framework of the IMF and also think of potential solutions to both immediately help the economy, and also stabilize it in the long run.

To read more about the IMF and learn about their response to COVID-19, visit their website: <https://www.imf.org/external/index.htm>

Introduction to the Topic:

An Overview –

Agenda: Discussing the possible transition to a new global currency

Is it really feasible to have a global currency? Or will it spell doom for the economies of the world?

The topic of a transition to a new global currency is a tricky one. What will that currency be? How will it be regulated and by which countries? Amidst the pandemic, will currency go digital?

The International Monetary Fund (IMF) aims to tackle these questions. The committee also will consider the role of the pandemic, the rise (and the possible fall of?) digital currency, rules for regulation and distribution, and much more.

As tensions rise and economies plummet, international cooperation is needed to tackle the issue. Devising a plan to determine the jurisdiction, value, and effectiveness of a potential new currency will be of utmost importance to the IMF as they seek to find a solution to stabilize the economy.

History of currency and stability over the past 20 years:

Over the past 20 years, the global economy has grown rapidly, leaving a few recessions. That is until this pandemic. The pandemic has not only affected many people's lives but has also ruined the global economy. Experts predicted a recession would roll around in 2020, and they were right, but in a way no one could have foreseen.

However, now the future of the world economy is at a crossroads. America's economy is plummeting. The Euro Zone GDP has dropped by nearly 12 percent and China's economy has arguably been hit the worst. The recession will most probably continue for the foreseeable

future. This IMF committee is designated to solve the long-term and heavily contested issue of stabilizing the economy, namely through currency.



The Effect of the Pandemic on Economies:

Due to several countries implementing lockdowns around the world, people were confined in their houses and thus unable to go to work. Due to this, almost all economic activities came to a standstill, causing several businesses to shut down.

The coronavirus pandemic has caused the global economy to sink into recession. This means most economies are shrinking rather than growing. In fact, according to the IMF, we are facing the steepest recession since the Great Depression, with global economies predicted to shrink by over 3%. Advanced economies are likely to be hit even harder, with growth rates projected to be -6% in 2020.

Millions of people around the world have filed for unemployment benefits as a result of disruptions caused by the coronavirus. In the USA alone, since March 21 more than 36 million people have filed for unemployment benefits, almost one fourth of the whole workforce. Due to the decrease in both external and domestic demand, manufacturing output has decreased drastically. Additionally, due to travel being greatly reduced, the transportation industry, which makes up 60% of the demand for oil, has been severely disrupted. This has caused oil prices to fall by over 50% in a time period of less than two weeks. Similarly, the demand for natural gas has fallen and so its price has

decreased. Additionally, since factories have been closed, the demand for industrial metals has also fallen.

The pandemic may have several long lasting effects. Many jobs may never come back.

Crypto currency:

Since the creation of Bitcoin in 2009, cryptocurrencies have become increasingly popular around the world. One of the reasons for their success was the loss of trust in governments and financial institutions following the 2008 financial crisis. Hence the decentralized peer to peer payment systems gained traction as it avoided third party involvement and government regulations.

However, there are many concerns with cryptocurrencies,

especially because identities can easily be hidden. This makes it easier to carry out transactions involving illicit trade. This has led to some countries even considering banning them.

Their prices are also very volatile and many investors speculate on them in order to make large profits. While cryptocurrency has its flaws, there are many new innovations such as the stablecoin that may be feasible in the near future.



Special Case 1: 2008 Financial Crisis

The 2008 Financial Crisis was the worst financial crisis since the Great Depression of the 1930s. It started when Lehman Brothers, one of the world's largest financial institutions, went bankrupt in just two weeks. However the crash had long been in the making, especially due to speculation on property in the USA and Western Europe combined with the availability of cheap credit. However, borrowers soon found that they were unable to pay their debt, leading to an economic crash. To make matters worse, a sovereign debt crisis started due to flaws in the structure of the Eurozone which let countries such as Greece borrow on similar terms

as countries such as Germany. The end result was an economic cost of over 1448 billion USD. As we are facing a recession today, it is important to keep in mind how past recessions came to be and how they were dealt with.

Special Case 2: The EURO

The euro was founded on January 1st 1999. The main goal of the euro was to “promote growth, stability, and economic integration in Europe”. The euro has had its flaws, but it has various advantages such as removing all transactional costs, and increased price transparency. This is a good example of a currency being implemented regionally and being largely

successful. However, the euro was introduced more than 2 decades ago and times have changed. In the midst of the current circumstances such as the pandemic, trade wars, and tensions between China and the United States, it may be impossible to find a global currency that all countries agree upon. International cooperation is necessary, and countries will need to compromise and collaborate in order to better the future economy.

Topics for further reading:

- The European Union
- Trade war between China and US

- Fiscal policies implemented by IMF in the past
- A deeper look into the 2008 financial crisis
- Regulation, distribution, rules of a potential new currency
- Advantages and disadvantages of a new global currency

Expectations for committee:

Aggression is strongly discouraged and we encourage delegates to extensively cooperate. Ensure you are well researched and you submit your position paper **before the deadline.**

Sources:

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