GECMUN X

BACKGROUND GUIDE

Business Committee (BIZ)

Managing the Implications of the 2008 Economic Recession

SDG: 8. Decent Work and Economic Growth

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Committee Introduction

The Business committee specializes in economy and industry related discussions, and is becoming increasingly relevant in the modern world where concepts like Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR) are prioritized in everyday discussions. At GEC MUN X, the committee will be covering a mix of historical background and economic issues that delegates will have to research and discuss. Traditionally, business related committees will handle important social and economic issues such as labor rights, resource sourcing, monopolization, responsible emission, and more.

Although it is not a directly stated committee in the United Nations, it plays an integrated role in many other bodies (such as ECOSOC, UNIDO, UNDP, and more) when discussing economic crises and challenges. Some significant topics discussed in these look like the following:

One thing delegates should keep in mind is that the business committee will be conducted in a format where delegates are individuals related to businesses (such as founders or CEOs) or important officials of countries (such as Presidents or Heads of Ministries) that are related with the agenda. This will allow increased opportunities to research and make decisions for the interests of their assigned person.

Agenda Introduction

In short, the committee will be debating the 2008 financial crisis, and delegates will be representing a key player from this time. Most delegates will be representing a major CEO of financial institutions from that time period, and will be discussing the possible solutions to prevent the downfall of the US and world economy. There were several components that had led to the vulnerable state of the US economy. Though individually these components would not cause a huge problem, they all came together to create a perfect storm.

To begin, much of the aspects that led to America's financial crisis depended on the banking system and the fiscal and monetary policies that were imposed by the government and central bank on the housing market. The housing market is particularly important to an economy as it is closely linked to consumer spending, which contributes to the overall GDP of a country (Bank of England). So, as the housing market began to decline from 2006 in the US, government and central bank officials grew concerned and began to pursue expansionary policies. This essentially means that they were utilizing policies to increase consumer activity in the economy. This was successful for some time, dramatically increasing consumer spending, However, there weren't sufficient security measures, or a fallback plan after this excessive consumer spending. Hence, when the returns were expected for all the spendings and borrowings, consumers couldn't keep up, which caused major implications. This included the plummet of the stock market, the failure of many financial institutions, and of course, the housing market continued to struggle (Amadeo, 2022).

Despite these events originating from the US, the declining health of the US economy affected countries worldwide, along with experiencing conditions that hurt respective economies. In fact, Europe was experiencing similar circumstances, with the housing market compromised and banks in Europe and South America were declaring bankruptcy (Rodini, 2023). As both Europe and US are powerhouse countries, remaining countries experienced the implications as well due to international trade agreements and large firms with international investments.

As the conditions exacerbate, all kinds of stakeholders are affected, unemployment and debt increase, firms close down, and the economy heads downwards into a spiral. Thus, in this committee, the delegates will analyze the previous actions, decisions, and events that led up to the time of the committee. Delegates should take the circumstances and come up with possible resolutions in efforts to recover the economy or minimize the impacts of the recession.

Letters from the Chairs

Dear Delegates,

My name is Hannah, and I will be the head chair for the GECMUN X business committee. I am originally from the US, but I currently attend the International School of Busan. Aside from MUN, some other activities I engage in are volleyball, soccer, and the magazine club at my school. By the time of the conference, GECMUN X will be my ninth conference, and my third experience as a chair. As a specialized committee, I hope that this committee will provide a rich and unique experience for delegates. I look forward to seeing what kind of knowledge delegates will be able to present, and the different types of economic and business orientated solutions that may come up. Please do not hesitate to contact either me, Michelle, or Jian if there are any questions or concerns; we are here to support all delegates!

My name is Michelle, the deputy chair of the committee, and I'm a junior at Korea International School. I have done MUN for 3 years and I am the current officer of my school's MUN club. I really hope that delegates will be able to learn more about the business committee and do in-depth research on the agenda topics. I sincerely wish that all delegates will enjoy their time in this great committee. I, alongside Hannah and Jian, will work very hard to make this GEC MUN an unforgettable experience!

Hello! I'm Jian, the associate chair of this committee, and I'm currently a sophomore at Seoul International School. As someone who enjoys public speaking and debate, when I first entered MUN in 8th grade it was an eye-opening experience for me. I'm excited to be able to share my enthusiasm with this activity with everyone, as well as the anticipation of a business committee which I believe may be a new experience for many of the delegates. I hope for a fruitful and fun conference, and I'll try my best with Hannah and Michelle to make it happen! See you all in March!

Best Regards,

Hannah Kang|| Head Chair || 24hkang@isbusan.org
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Key Terms

1. **“Too Big to Fail”**

“Too Big to Fail” refers to financial institutions like banks that hold a large part of the economic importance in the nation, to the point where it would harm the nation or lead to collateral damage on larger scales. These institutions are usually saved in ways where governments opt to bail them out. Institutions bailed out or seen as likely to be bailed out are therefore portrayed in a negative light because they are seen as actors that can easily remove their own accountability. They are categorized then as “systemic” institutions that go beyond the borderline of a normal private entity.

In the 2008 crisis, the United States opted to bail several “Too Big to Fail” banks to prevent the potential damage towards society.

2. **“Interest Rates”**

“Interest rates” are how much money one pays for the act of borrowing money. When person A lends money to person B, person A actively loses out on the ability to use that money during that time. Therefore, interest is what is paid to person A on top of the original sum of money person B borrowed to make up for the cost the person A took when they lent the money to them. Interest rates are set by financial institutions as a standard percentage of interest so people can calculate how much interest they owe relative to how much money they borrowed.

3. **“Mortgage Rates”**

“Mortgage rates” refer to the rate of interest for mortgages. Mortgages are legal agreements made for individuals who cannot afford to pay for their house, and therefore borrow money for that specific purpose. If the individuals who borrowed money fail to pay back the original sum and interest, the lender of the money now reserves the right to take the property (in most cases house) of the person they lent the money to.

4. **“Bonds” vs “Stocks”**

“Bonds” are loans of money to entities or institutions. The way investors earn money is through the interest of their loans, and they are guaranteed their original sum of money. “Stocks” are pieces of ownership of the company, meaning the money investors get is a dividend of the company profit. However, investors are not guaranteed the original sum they invested.

5. **“Dotcom Bubble”**

The “dotcom bubble” was an economic bubble that arose when the internet first came to the rise. Excited investors with large hopes for the rising internet economy and competitive edges started investing in many web-based businesses, those including Amazon, Broadcast.com, Ebay, Pets.com and more. What happened eventually was that the perceived value of these products were significantly inflated compared to the actual value, creating a bubble. When the bubble popped, the economy went into a complete freefall in the matter of a month, causing large scale economic chaos with many investors.

6. **“Subprime/Subprime Loans”**

“Subprime mortgages” are loans provided to individuals that are financially less well-off and cannot provide property as collateral to the loans they borrowed. The mortgages originally allowed for more Americans to be able to afford their own house, as the interest rates in the beginning were guaranteed to be low. But as the economy did not continue to boom at high rates forever, banks had to raise their interest rates, creating people who could not afford the repayments because mortgage repayments became more expensive along with interest rates. This led to many Americans losing their houses as they could not pay for them, and banks struggling with the sinking house values.

They proved to be one of the important factors in the 2008 crisis, as it was the proof of a miscalculated prediction of the economic turnout, where both banks and individuals suffered.

7. **“Foreclosure”**

“Foreclosure” is the process that occurs when people fail to make the repayments for their mortgages, such as the situations mentioned above for subprime loans. When paying for the house is no longer a viable option, the house can be “foreclosed,” where the seller takes it back and would enter it back in the market.

8. **“Securitisation and CDOs”**

“CDOs” are collateralized debt obligations.

“Securitisation” is what banks did to stabilize their assets like subprime mortgages that are illiquid and intangible into tradable securities. These securities would be pooled into CDOs and traded on the market, and guaranteed investors the initial amount of investment and interest if the repayments were made.

In 2008, the prime mechanism of CDOs which was the repayment failed, which caused a chain reaction among the many investors and intertwined individuals as people could not pay off their mortgages.

9. "Hedge Funds"

"Hedge Funds" are funds that are exclusive compared to other funds because they focus on quick profit based on predictions and they don't have as many requirements regarding transparency.

Hedge Funds have been credited to be an important term in the crisis as their lack of transparency, especially on subprime loans, made an objective analysis of the situation difficult. 2 hedge funds, owned by Bear Steams, collapsed in 2008, which was marked as the start of the crisis.

10. "Credit Default Swaps / CDS"

"Credit Default Swaps" are a type of insurance policy an investor or lender can buy for a bond from a bank or hedge fund or other financial entities. It ensures that the investor will always get their original funds back, and in the case the bond defaults, the price that incurs will be paid off by the CDS seller (the insurance party). On a national level, the investor of government bonds would also get their money back even if the country defaults.

When a lot of countries went bankrupt in 2008, insurer American International Group that sold CDSs struggled under the burden of paying off multiple CDS holders.

Naked CDS is a form of CDS that is based more on the possibility to earn money, where the holder does not own the fund themselves. They would buy a CDS to bet on the chance of the bond defaulting, in which case you would still earn money, thus making it so that the value of the CDS would fluctuate largely on people's predictions of how likely something is to fail.

Historical Background

It is important to note that the financial crisis of 2008 had been brewing for several years prior. As components through the years came together, a perfect storm was created that resulted in the economic collapse. Starting from the 1990s, the US economy was attempting to recover from the dotcom bubble in 2003. In reaction, the Federal Reserve decreased the federal funds rate down to 1%, 5.5% decrease from the initial rate (Singh, 2023). With such a dramatic change in a policy that directly affected the monetary supply in the economy, the entire population was affected. By decreasing the federal funds rate, banks were able to have a greater supply of money to lend and lower interest rates, which made borrowing much more accessible, regardless of credit status. These accessible borrowing conditions continued until mid-2004 and more people took advantage to become homeowners, increasing the home prices in the market. To take advantage of such favorable conditions in the economy, lenders look to make quick profits by lending to subprime borrowers (Field, 2022). This was highly risky considering the credit status and repayment feasibility of subprime borrowers. In fact, as a whole, there was an additional 3 trillion dollars that was injected into the mortgage market, which was then converted into assets called mortgage backed securities (Knowledge at Wharton, 2018).

From here, the economic downturn progressed through two ways. The first aspect was when the boom in the housing market was leading to inflation, the Federal Reserve hiked up interest rates to bring them back down from the years of 2004 to 2006 (The Investopedia Team, 2023). By early 2006, home prices began to fall, indicating the nearing bubble burst (Singh, 2023). As the borrowing conditions were advantageous to subprime borrowers, the higher interest rates were extremely unfavorable. This led to many new homeowners to foreclose their mortgages, defaulting on their debt. Had the economy been in better conditions, then the bank would take ownership of the property, refinance, and then sell it at a high enough price to compensate for the defaulted mortgage. However, since the general home prices were decreasing, banks could no longer refinance the homes at a high enough price, resulting in large losses.

The second was through a process called securitization. From all of the mortgages in the housing market and the expectation that the housing market would continue to be profitable, investment firms created assets of several mortgages packaged together as the mortgage backed securities, or MBS (Field, 2022). With many mortgages being subprime, by extension, this was a risky investment and both individuals and firms invested into these mortgage backed securities. MBS had seemed to be a certainly profitable investment option, but when borrowers could not pay their debts, investors of MBS did not receive any profits. It continued from there;

a similar idea was pitched into the secondary market as collateralized debt obligations, or CDOs (Field, 2022). As more firms were investing into both MBS and CDOs, it led to the precarious conditions of many big investment and banking firms. This was the burst of the bubble.

The lending practices of banks and mortgage lenders were a significant contributing element. They gave consumers loans, such as subprime mortgages (mortgages issued to borrowers with bad creditworthiness), frequently with low initial interest rates that ultimately rose dramatically. Due to the rise in home prices that resulted from this, more people took on mortgage debt. In addition, numerous of these mortgage-backed securities (MBS) received excellent ratings from credit rating organizations, giving investors the impression that they were secure investments. Particularly, this seemed like a promising investment as the housing market continued to do well, increasing the value of MBS. These agencies' failure to accurately assess the subprime mortgages' underlying risks led to investors' false sense of security. Financial institutions and investment banks were major contributors to the catastrophe. Collateralized debt obligations (CDOs), which were intricate financial products devised by them and backed by collections of mortgage-backed securities. These CDOs had enormous leverage and were challenging to appropriately appraise. These risky assets were widely owned by financial institutions, leaving them open to significant losses in the event that the housing market tanked.

The Basel Accords are a set of global banking norms that were created by the Basel Committee on Banking Supervision, which was made up of central banks and regulatory agencies from numerous nations. These agreements offer standards and suggestions for banks' risk management, capital needs, and liquidity needs. In response to the 2008 financial crisis, the Basel III framework was established with the goal of enhancing risk management procedures and strengthening banking laws. The International Monetary Fund (IMF) contributes to global financial stability by aiding nations experiencing economic hardship. It assists nations impacted by the 2008 crisis and offers surveillance and guidance on macroeconomic and financial policy. The IMF's duties include keeping track of world economic trends, making policy recommendations, and granting financial assistance to nations with financial problems.

In order to improve regulatory control of the financial sector, many nations undertook regulatory reforms. For instance, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in the United States in 2010. It sought to improve consumer protection, boost transparency, strengthen financial regulation, and address some of the systemic issues that led to the crisis. Other nations also carried out their own regulatory reforms. To evaluate the durability of financial institutions under unfavorable economic circumstances, regulatory authorities began

conducting regular stress tests. The tests assessed their resilience to financial shocks and revealed any vulnerabilities. To guarantee that regulations were being followed, financial institutions were subject to increased supervision and monitoring. It remains difficult to fully comprehend and control all risks because of how interrelated and complicated the financial system is. As new financial practices and products continue to appear, authorities may have blind spots. The implementation and efficacy of regulatory reforms can be impacted by political factors and financial industry lobbying. Sometimes, this influence might weaken the intended effects of reforms and lead to less strict rules.

Current State of Affairs

The 2008 financial crisis had a number of long-term effects that continue to have an impact on us today. Beyond these well-documented consequences on growth trends, the crisis may have left long-lasting scars, according to the International Monetary Fund's analysis. For instance, several economies saw a fall in fertility rates, which had an adverse effect on the size of the labor force in those nations. Net migration rates among advanced economies decreased following the crisis, which is another effect. Additionally, it appears that income disparity has grown, particularly in areas where output and employment losses following the crisis were significant. In some situations, the post-crisis growth in inequality only served to amplify pre-existing patterns, which frustrated traditional political parties and fueled protectionist attitudes.

As for current policies, the Dodd-Frank Wall Street Reform and Consumer Protection Act, passed by Congress and signed into law by President Barack Obama in July 2010, aimed to give the financial sector stability and oversight again while averting another crisis. The Federal Reserve was required by Dodd-Frank to keep a closer eye on America's biggest banks and financial institutions, including mammoth insurance corporations. To ensure that these very large institutions were ready for the inevitable onset of recessions and upcoming financial crises, the legislation mandated special annual exams. The Consumer Financial Protection Bureau (CFPB) is the most well-known and prominent of all the new regulatory organizations established by Dodd-Frank. The goal of the CFPB is to safeguard customers from predatory or dangerous financial products. The bureau has the authority to control businesses that offer consumers financial goods and to implement laws prohibiting discrimination in consumer finance.

Because of excessive inflation and the Fed's deliberate slowdown of the economy, a recession may occur in 2023. The PCE price index, the Fed's favored measure of inflation, is rising faster than expected this year, as we discovered this morning. Inflation in the PCE as a whole increased by 4.2% annually in the three months up to February 2023. Inflation in the core PCE increased much more (4.9%). Actual nominal GDP currently exceeds this anticipated "capacity" limit, which is a sign of an overheated economy. To be clear, this is a devastating chart for anyone who believes that supply-side factors have predominantly influenced inflation, including me. That might have been the case early in the expansion, but with this robust, demand-driven inflationary impulse, it probably has less of an impact now.

Stances of Parties

Richard Fuld (CEO of Lehman Brothers)
Richard Fuld currently holds the position of CEO at Lehman Brothers, an investment banking company, and has done so since 1994. Fuld has been incredibly successful since taking over the position, digging Lehman Brothers out from millions of losses in 1994 to creating earnings of 4.2 billion in 2007. He is honored as the longest standing CEOs on Wall Street and given the nickname, "Gorilla of Wall Street" (Originate Report Team, 2018). With so many distinguishing titles and progressive success, at the beginning of 2007, there was little reason to expect any sort of downfall. During the early 2000s, the company took advantage of the rising housing market and obtained 5 mortgage lenders, including other loan services. This was seemingly extremely clever, as their revenues in capital markets increased to 56% by 2006, and secured mortgages had jumped 10% from 2005 to 2006 at $146 billion. (Lioudis, 2023). They also transferred many of their investments from government securities to mortgage backed securities with favorable interest rates (Originate Report Team, 2018). Despite the signs of housing market failure, the delegate may choose to be confident in their approaches with respect to the record high revenues.

Jamie Dimon (CEO JPMorgan Chase)
As opposed to some of the other CEOs of this committee, Jamie Dimon has been CEO of JPMorgan Chase, a financial service company, for less than a year. After JP Morgan Chase merged with Bank One Corporation in 2004, Jamie Dimon joined the company as President and COO, but soon became CEO in 2006 (JPMorgan Chase & Co.) JPMorgan Chase, or Dimon, has taken a different approach to making investments as a corporation, selling $12 billion of the subprime mortgages (Reiff, 2022). This meant that Chase was not experiencing the same booming growths from the housing market as many other firms were. However, it does not necessarily entail that they were not successful. Dimon continues to lead the company with strong sectors in asset management, credit card groups, and treasury services (Dash, 2007). They essentially had quite a diverse set of services, which may help keep the company afloat during unfavorable conditions.

John Thain (CEO of NYSE)
In early 2007, John Thain was CEO of the New York Stock Exchange (NYSE), a company that manages the purchase and sale of securities. During his time at NYSE, he pushed for the company's presence in electronic trading and led the mergers with Archipelago Holdings and Euronext (Scheiber, 2006). Though John Thain was quite successful, this was almost considered a transition period as word that Thain taking up a new CEO position began to spread. Rather, this may be considered a transition period for John Thain. This delegate should be prepared for sudden changes should they be dealt with precarious circumstances at a new company. Another direction the delegate may consider is to take a more radical stance in addressing the

weaknesses in the current economy as they may soon be disconnected to any big corporation names.

Robert Diamond (CEO of UK Barclays) - Bank
More popularly known as Bob Diamond, the CEO of Barclays has held his position for over 10 years. Barclays is a bank based in London with two divisions, Diamond heading UK Barclays. The same fractures in the housing market and economy are seen in the UK as well, creating over a half a billion pounds in write offs and a declining share price during early 2007. However, Diamond has been able to utilize his position to become advantageous for himself, allowing himself a generous salary despite decreasing revenues of the bank (Treanor, 2008). It can be seen that Diamond has heavily prioritized personal gains and may look for alternative opportunities to maximize profits. In fact, it is later revealed that since 2005, Diamond and Barclay's traders have attempted to manipulate the London Interbank Offer Rate (Libor) (Cutler, 2012). This is further supported by the fact that a majority of his salary is directly correlated to his performance and Amicus, a leader of financial workers union, has stated his doubts of Diamond's bountiful salary (Treanor, 2007). Diamond continues to look for clever deals and opportunities, which may be interpreted that he is a risky banker.

Kathleen Corbet (CEO of Standards & Poor)
Corbet has been the CEO of Standards & Poor Global Ratings, or S&P, a financial services company. The company mainly offers analysis and ratings on credit status through a letter system (AAA being the highest, D being the lowest) (Keuren, 2022). This essentially means that S&P withholds a lot of power in directing where and how investments are made in the economy. As mortgage backed securities and loans for the housing market were increasing, S&P has provided many positive ratings for many of these investment options (Finney, 2022). It can be inferred that credit rating firms, such as S&P, benefit from a greater investment in securities, including possibly being involved in the investing in securities themselves. In addition, there have been conversations approaching the possibility that credit rating firms may be open to deals between mortgage or loan lenders, giving S&P an incentive to give a better credit rating than reality (Hill, 2010). Nonetheless, the abundance of triple A ratings has thus far resulted in many firms, big and small, to invest in different types of debt obligations and securities. In turn, Kathleen Corbet has faced great success up until now, only recently being encountered with suspicions otherwise.

Fred Goodwin (Royal Bank of Scotland boss)
Royal Bank of Scotland has been radically successful in the previous few years. Goodwin took over as CEO of Royal Bank of Scotland in 2001, and had led the bank in a series of mergers and acquisitions of several other large banks. This gave them the status of the largest bank by assets. After being named Businessman of the Year by Forbes magazine in 2002, workers around Goodwin state that he became

increasingly confident (Hiscott, 2018). Goodwin earned the nickname "Fred the Shred" for his ruthless methods when it came to readjusting his company after each acquisition. One in particular, after a merge with NatWest, 18,000 job positions were let go in efforts to create a more efficient company (insider.co.uk, 2017). Furthermore, Goodwin and RBS are in the position to merge with another bank, ABN Amro (Hodges, 2017). The many acquisitions, in a short period of time, no less, has enabled RBS to become a powerhouse and there doesn't seem to be any intentions to stop according to Goodwin's plans with ABN Amro.

Joseph Cassano (Head of AIG Financial Products)

Since 2002, Joseph Cassano has been head of AIG Financial Products. Cassano has primarily conducted business with credit default swaps (CDS), which is essentially a "wagers that a company will pay its debt" (Time). These CDS have now been valued upwards of hundreds of billions of dollars. With so many firms and individuals investing into securities and CDOs, Cassano and his team of traders found a way to create a sense of insurance. As the investments on the securities increased, so did the utilization of CDS, which has allowed Cassano and AIG to make great profits. AIG also provided services abroad, to several large banks in Great Britain, as well as the Royal Bank of Scotland (Prynn, 2012). This demonstrates the wide reach of power that Cassano and AIG holds, and many investment banks have left a great amount of trust into AIG's CDSs as a safety net for their investments.

Boaz Weinstein (Head of Deutsche Bank)

Similar to AIG financial products, Boaz Weinstein is involved in CDSs to insure the new investments in the market, as well as the housing market success. In doing so, Weinstein has garnered between $600-900 million in profits for Deutsche bank (Butcher, 2020). Boaz Weinstein has a strong belief in CDSs and great confidence that it will bring greater success as the housing market continues to flourish and large firms make investments into new securities.

Lewis 'Lew' Ranieri (Trader)

At the heart of the investments in the promising housing market are mortgage backed securities, which Ranieri had co-founded with other traders. Ranieri opened up the concept of securitization and utilizing mortgage backed securities as a method of making wealth to the market of investors during the 1970s (Kagan, 2023). The idea behind securitization was to cut certain costs on debt, credit cards, or any other "financial constraints on the American dream" (Bloomberg). This generated multibillion dollar profits for Ranieri as the housing market skyrocketed the flourishment of securitization.

John Boehner (Former Republican Speaker of the House - fought with Obama)

John Boehner is the House Minority Leader of the US, meaning Boehner currently represents the Republican party in congress and voices the opinions of the

respective party regarding any topic, including the financial health of the economy. Republicans seem to have a magnified stance regarding the crisis, looking for specific areas and sectors where issues may occur (Postal, 2011). There is also a difference in opinion between democrats and republicans regarding the strength of regulations in the housing and borrowing market, and whether over regulation or lenient regulation has led to such a rapid rise in activity in the economy (Zuesse, 2013) The stance of this delegate comes down to the foundations of what republicans consider key to a healthy economy.

George Bush (President of US, signed the stimulus bill, where the big banks were saved)

Elected for two terms in a row, George Bush's presidency is aimed to last until 2009. Arguably, this delegate has the greatest influence on the outcome of possible solutions as the president must sign off on any significant nationwide policies. Since the beginning of the housing market rise, Bush has pushed for more lenient policies, which allowed a prevalent increase in economic consumption as spending became much more accessible (Time). Bush prioritized stimulating the economy, seemingly through greater consumption, not just through lenient regulation of borrowing, but also tax cuts towards the beginning of his presidency (George Bush Presidential Library) The delegate should keep in mind about the extent of power Bush would have, including alternative economic policies and promoting certain incentives through programs. Since the Bush Administration has been able to foster such encouraging conditions for economic boom, the Bush Administration may find it difficult to quickly turn around if the circumstances change suddenly. Debate with the majority party in congress should be expected with opposing views to address economic downfall.

Barack Obama (President of the US, signed another stimulus bill)

Announcing his campaign to run for US president on February 10th, 2007, Barack Obama is a former senator of the state of Illinois, and would be the first ever Black president if voted in. As a liberal politician, Obama supported general directions of moderate proportionate taxation to alleviate extreme burden from the underprivileged, and in capacity building in cases of turmoil. This stance of moderate support for the working class and infrastructural stabilization is likely to transcend many issues he faces during his term.

Ben Bernanke (Chairman of Federal Reserve, controlled interest rates)

Ben Bernanke was proclaimed Chairman of the Federal Reserve in 2006, and in early 2007, thought that the subprime issues people were starting to worry about were "grave but contained," as he reported to many news sources. Despite 11% of subprime borrowers facing serious crimes and foreclosures, Bernanke still didn't make it out to be an emergency - rather, a short happening that was unfortunately going to last a bit longer. As chairman of the federal reserve, Bernanke cares most

about managing currency and interest rates, which was why changing mortgage rates and a downfall in the prominent housing industry was important to him.

Stan O'neal (CEO of Merrill Lynch)
Stan O'Neal, CEO of 50 billion dollar investment firm Merrill Lynch, is infamous for his calculative decisions. O'Neal prides himself in the ruthless efficient decisions he makes, such as laying off employees in bunches. Chairman since 2002, Merrill Lynch was also intially unsure about the slow mortgage threat, as an investment firm largely reliant on CDOs and mortgage loans. O'Neal himself was very invested in joining the industry of providing CDOs, as it was seen as a very lucrative opportunity for many investment companies. In fact, by 2006, Merrill had 41 billion dollars simply from the choices O'Neal made around the mortgage loans.

Angelo Mozilo (CEO of Countrywide Financial Corp)
Angelo Mozilo was one of the largest beneficiaries of mortgage loans, and was widely credited by many investors in the market for claiming to be a non-risk prime mortgage lender as part of Countrywide Financial Corp. Aside from misleading the market from the truth of credit risks, Mozilo independently was also profiting massively from selling Countrywide stocks based on insider trading whilst being aware of the massive risks Countrywide was about to face, making up to 140 millions dollars off of the four executive stock sale plans made for himself. Mozilo acted as one of the main actors in the rapid growth of the lending company, contributing to the bubble and allowing risky products to prospective consumers, especially subprime borrowers without credit score verifications.

Carl Icahn / John Paulson (Investors who benefited from financial crisis)
John Paulson, founder of firm Paulson & Co., established his business back in 1994 as a relatively small investment firm with niche successes. What made Paulson stand out was his decision - despite the market trends, he chose to bet against subprime mortgages as well as against bank stocks when investing, deeming them unstable - a large decision for a growing firm. Carl Icahn on the other hand, already had an established firm Icahn & Co. as well as a name for corporate takeovers by 2007, having started his role of aggressively pulling down ineffective CEOs and BODs in the 1980s. Icahn, similarly to Paulson, decided against similar large companies he worked to bring down when he invested for the downfall of mortgage lenders.

Vikram Shankar Pandit (CEO of Citigroup)
Starter of hedge fund Old Lane LLC, Vikram Shankar Pandit, conjoined with Citigroup just recently when Citigroup bought in the fund in2007 and placed Pandit in leadership. A prime example of a nepotism baby, Pandit and Pandit's father have discussed Citigroup's future in leadership positions. Pandit was credited for the strategic decisions he made, such as the growth of Morgan Stanley, his former occupation, when making decisions to turn the company towards ecommerce. As a

calculative businessman, the public placed pressure on Pandit as with the uprising threats of bad mortgage loans Citigroup was faced with as well, with potential costs totalling up to as much as 17.5 billion dollars.

Larry Fink (CEO of Blackrock)
Larry Fink, founder of Blackrock since 1988, heads the investment firm even until recent times. Fink acknowledged in the prior parts of 2007 that subprime mortgages and loans were under a lot of pressure - yet still undercut many worries of the market, as he expected the stress to fizzle out and not develop into larger market-level crises. As another Wall-street bond titan, one of Blackrock's major distinguishments was that it was slow to make decisions - so while it did also engage in subprime loans and CDOs, it was marginally less than those of other firms at the time. Fink himself conceded that the liquidity issue coming from the housing industry could expand into a larger issue given the opportunity.

Henry Paulson (Treasury Secretary of the US, let Lehman Brothers fail, wanted bailout)
With a similar stance to Bernanke, Henry Paulson, Treasury Secretary of the US since 2006, believed that while the crisis of mortgage loans was something to approach with caution, the chance for it to spillover to the rest of the nation was very low, and that was the narrative used to calm the public. Some of the tactics he employed during the early stages of the potential subprime crisis was a strong dollar policy to help the US's stability in the long run especially with the recent shakes, yet did concede that it would take time for the situation to worsen before lifting back up.

John Mack (CEO of MorganStanley)
A publicly mentioned friend of Larry Fink and CEO of Morgan Stanley, John Mack was placed CEO in just 2005. As Morgan Stanley also indulged in investment for CDOs and risky lenders, around 9.4 billion dollars were on the line with the aforementioned mortgage loan threats most investment firms were worried about, not to mention the physical loss of 3.7 billion dollars in trading. Despite many former business partners pulling out of Morgan Stanley as well of mortgage investments, Mack chose to stay by Morgan Stanley and the decisions made beforehand by company officials, especially as many of public statements to stick with the high risk industry were made by Mack himself.

Ken Lewis (CEO of Bank of America)
CEO of Bank of America since 2001, Ken Lewis is famous for his sense of business and effective decision making. Lewis was the cause for Bank of America's success after its struggles in 2001, pulling contract after contract and growing its stock 37% in the span of a year. He made deals for companies like FleetBoston Financial, MBNA, and the LaSalle bank. The distinction between his early projects and the ones he was aiming on, such as Merrill and Countrywide, were that early projects were usually

based on banks and not a failing industry of mortgage loans. As Bank of America relied a lot on acquisition of firms, the decisions Bank of America would make were seen as important with rising issues with CDOs.

Lloyd Blankfein (CEO of Goldman Sachs)
With just 54 million dollars in bonus alone in the year 2006, Lloyd Blankfein is considered a talented official at Goldman Sachs, an advising investment firm. 2006 was the same year he advanced to CEO and chairman. Blankfein claims to be 'conservative' and a 'worrier' when it comes to decision making - especially with his higher position within the company, which calls on more responsibility. The same reason is why Goldman Sachs has been tentative compared to competitors in the mortgage industry, and on surface, almost as if betting against the loans.

Possible Solutions

It is important to note that depending on what the status of the delegate's position is, each delegate must propose solutions that are conducive to what they would like to achieve. Should a delegate be faced with a situation where they are benefiting greatly from the economy during this time, they may choose to prioritize maintaining factors, such as the promotion of MBS and interest rates, and address any issues as they come. However, since MBS and low interest rates are beginning to have a negative effect on the economy, other delegates who would like to alleviate some of the warning signs quickly may propose more radical changes. These changes can include increasing the interest rates, which the extent of the increase may be debated upon, or other measures that can either reduce consumer activity, particularly in the housing market.

In a more creative manner, this may also be a chance for delegates to propose alternative business investments that may be able to balance out the massive influx on MBS or CDOs. In this method, delegates will be able to work with other delegates to innovate new products or goods to introduce into the market, and challenge their creativity. The alternative business options should be proposed to the committee, ideally during a moderated caucus, during which the delegate can attempt to convince fellow delegates to support the new product or service.

Finally, another category of policies that can be proposed is through the national banking system, or the central bank. The central bank is considered the bank of all banks in the US and has a wide range of jurisdiction that are relevant to employment levels, money stability, managing inflation, and more (Heakal, 2023). Delegates should research specific policies that were implemented during early 2008 and are encouraged to propose improved or completed reformed policies to reduce the effects of the growing housing market bubble. Proposals related to monetary policies for the central bank can be geared towards delegates that represent government officials.

Please note, once again, this is a hybrid business and historical committee. This means no information past the August of 2008 should be referenced and delegates are encouraged to utilize critical thinking skills and their creativity to come up with resolutions that differ from reality. The above measures are simply recommendations, but it is up to delegates to come up with specific solutions that are aligned with their stance and the committee goals to resolve the impending economic crisis.

Questions to Consider

- What made the subprime mortgage loans so attractive to potential investors?
- How did the investors for the mortgage loans and against the mortgage loans differ when making decisions?
- Were there any parts of the investment and market trends similar to those of past market bubbles?
- In what way could investors draw out of the risky market without the change being sudden?
- Was the problem because of inherent faults in the CDOs and MBSs, or the image advertised by investment firms?
- How should governments and corporations differ in the actions that they take to improve the economy?
- When was the best timing to determine the potential success of the mortgage market?
- How did the leading political party and leader at the time exacerbate or prevent the signs of a market bubble?

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