



## **Background Paper**

Committee: ECOSOC

Topic B: The Prevention of a Future Global Economic Recession

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A recession is an economic crisis that is caused by the imbalance of the quantity people buy and the quantity of a product being made in a country. The relationship between supply and demand defines inflation and interest rates. Inflation is the increase in the product's price. This causes customers to cease buying a certain product. When it is needed, companies or businesses may take a loan from the bank, which causes the company or business to have to pay interest until the loan is paid. Low-interest rates allow them to take more loans to invest, while high-interest rates only make them have to pay more, in addition to taking more time to repay the loan. While many inflation and interest rates rely on natural disasters, it may also occur when the economy is at its best. Economic prosperity can make companies and businesses trust that the economy will continue growing, so they borrow even more money because they are convinced they will be able to pay it back. In some cases, this may not be correct, and they may end with more debt. Many countries are on the verge of an economic recession, and it is important for the committee of ECOSOC to find a solution to prevent it, otherwise, these countries will suffer from lower supply, demand, and wages. The bronze recession in Britain is an example of this issue. Bronze was used to make jewelry, tools and trading currency, but the value of bronze has decreased. This problem was later resolved by the introduction of iron. The United Nations has declared that developed and developing countries are vulnerable to a recession are a great danger. The slowing U.S. growth, the long recession in Germany, the Chinese debt crisis, and the recession of these countries may prompt a possible global recession in 2020.

After economically struggling since 2014, Russia is expected to have a recession by the end of 2019 as a consequence of oil price issues involving Ukraine. Germany's economy has decreased ever since the beginning of the year. Its economy relies greatly on manufacturing. Manufacturing reliant economies have been causing difficulties to countries like the United States. Italy has entered a recession already since last year, and yet it is still the eurozone's third-largest economy. It may only get worse since Italy is selling goods to Germany, which is in worse condition. With a similar case to Germany's, The United Kingdom might be even more affected by Brexit. South Korea has been on the verge of a recession during the first half of 2019, but it has not yet fallen into it completely, it is mainly affected by a trade war with Japan. Mexico's economy has decreased, and it is not getting better with AMLO's possible nationalization of industries. With the greatest South America economy, Brazil is also tending toward a recession with declining sales in overseas trade. Finally, Argentina

struggles with a 50% decrease in their stock market. Many countries, in their worst situations, either print money, lower interest rates, or enact policies to help prevent recessions. Regardless of their short term help, these solutions are not sustainable. The United Nations has not taken any major actions since 2010. In 2008, many countries joined an extensive emergency plan to support their economies. In 2009, a Global Financial Economic Conference took place to structure out the long-term plans to prevent recessions. Lastly, a three-year supporting program was created for Greece.

With developing and developed countries on the verge of recession, and 2020 being close, action should be taken as soon as possible. Given the small number of actions taken, we must find a solution to this problem. ECOSOC has to seek the solution that balances benefit, effectiveness, and quickness, while also maintaining peace during the search for an economic system unification.

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